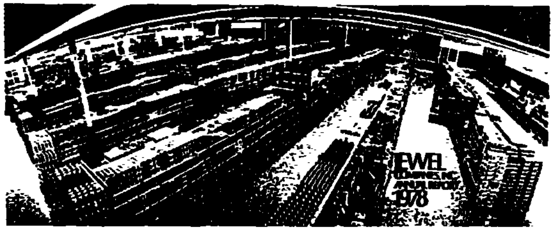

Extra Value Trim...
TS, PANCAKE MIX
TENING, CATSUPS
3
CANDY POPCORN
TOAST
SNACK CRACKERS
2
JEWEL
COMPANIES,
ANNUAL REP
1978

1978 ANNUAL REPORT



The Cover

The new Jewel/Osco combination food/drug store in Woodridge, Illinois, ready to open for business.

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Annual Meeting

Monday, June 18, 1979, 2:00 p.m.
E.D.S.T. at State Street Bank & Trust Co.
225 Franklin Street
Boston, Massachusetts

Transfer Agent and Registrar

Manufacturers Hanover Trust Company
Four New York Plaza
New York, New York 10015

Common Stock Listing

New York Stock Exchange
Midwest Stock Exchange

Corporate Office

O'Hare Plaza
5725 N. East River Road
Chicago, Illinois 60631

SEC Form 10-K

Copies of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission may be obtained without charge upon request to:

Robert F. Berrey, Secretary
Jewel Companies, Inc.
5725 N. East River Road
Chicago, Illinois 60631

RESULTS IN BRIEF

Jewel Companies, Inc.
(In thousands except per share data)

	53 weeks 1978	52 weeks 1977	% Increase
Sales	$3,516,352	$3,277,742	7.3%†
Earnings of U.S. Companies	$ 32,666	$ 21,697	50.6
Equity in Aurrera, S.A.	8,476	4,889	73.4
Net Earnings	$ 41,142	$ 26,586	54.8
Earnings Per Average Common Share Outstanding:			
Earnings of U.S. companies	$ 2.85	$ 1.87	52.4
Equity in Aurrera, S.A.	.74	.42	76.2
Net earnings	$ 3.59	$ 2.29	56.8
Earnings of U.S. Companies as a Percent of Sales	.93%	.66%	
Net Earnings as a Percent of Shareholders' Average Equity	12.1%	8.1%	
Dividends Paid Per Common Share	$ 1.37	$ 1.30	
Average Common Shares Outstanding	11,442	11,576	

*†Excluding the sales of the Company's Turn*Style division which was sold in June 1978, the increase was 12.4%.*

1978 REPORT FROM JEWEL'S CHAIRMAN AND PRESIDENT

Jewel Companies, Inc., achieved sales and earnings records in 1978. Consolidated 1978 net earnings of the Company were $41,142,000, or $3.59 per share, compared to 1977 earnings of $26,586,000, or $2.29 per share, an increase of 55% over 1977 and 15% over the previous record year of 1976. Jewel's 1978 fiscal year included 53 weeks versus 52 in 1977. Losses on facility dispositions in 1978 amounted to $.03 per share compared to $.45 per share in 1977. The Company's 1978 return on equity of 12.1% compares with 8.1% in 1977 and a prior five-year average of 10.4%.

For the 14th consecutive year, dividends paid to shareholders increased over the prior year and amounted to $1.37 per share.

Domestic Sales and Earnings at Record Levels

The domestic Jewel companies achieved 1978 earnings and sales greater than in any prior year. United States earnings amounted to $2.85 per share in 1978, an increase of 52% over 1977 and 38% over the previous record year of 1976. The 52% gain in domestic earnings per share in 1978 over 1977 resulted from total sales of $3,516,352,000, a gain of 7% over the prior year. Both years include Turn*Style stores which were sold to The May Department Stores Company as of June 1, 1978. Excluding Turn*Style sales from both years, the 1978 sales gain amounted to $381,962,000, or 12%.

Pre-tax losses on facility dispositions in 1978 amounted to $712,000, primarily related to the sale of the assets of four Republic Lumber home improvement stores and to the termination of the lease of the remaining store. In 1977, losses on facility dispositions amounted to $9,242,000, primarily as a result of the sale of Turn*Style stores.

Aurrera, S.A., Mexico City

Jewel's 1978 earnings from its investment in Aurrera, S.A., Mexico's leading retailer, amounted to $.74 per share, an increase of 76% over 1977. Because the peso-dollar relationship was relatively constant during the year, this increase accurately reflects the Mexican peso earnings results of Aurrera in calendar year 1978.

During 1978, Jewel's holdings in Aurrera were reduced from 45.2% to 41.7% of the outstanding shares. The transaction resulted in an after-tax gain of $1,119,000 which is included in Jewel's U.S. earnings. Aurrera's stock is now widely held by the Mexican public. Jewel has no current intention of further reducing its ownership of Aurrera shares.

An update on this leading Mexican company appears on page 9 of this report and an indication of Aurrera's importance to the future of Jewel is discussed on page 20.

Highlights of the Year in the U.S.

Supermarkets

Overall supermarket results continued to improve. In the final quarter sales showed a gain of 10% over prior year results (adjusted to eliminate the extra week in 1978) compared with first, second and third quarter gains of 11%, 7%, and 7%, respectively. With the advantage of overhead reductions begun in 1976 and of other productivity improvements, operating margins for the year improved from 1.69% to 1.95% of sales.

The people of *Star Markets* achieved or exceeded nearly all of their objectives for the year while also earning recognition from independent research that *Star* has the top overall supermarket reputation among Boston consumers. Various limited-service, price-oriented store concepts emerged in significant numbers in *Star's* territory during the year. While maintaining its overall image, *Star* improved its price reputation through a well-balanced marketing strategy which included heavy emphasis on "No-Name" (generic) grocery products. *Star* opened no new stores in 1978. Above average sales gains resulted from an aggressive program, begun in earlier years, of enlarging and remodeling existing stores. This re-investment program will continue in 1979 with particular emphasis on *Star's* Rhode Island stores. We expect *Star's* well-balanced strengths to reflect in continued good results.

Eisner people had the best year in their history. *Eisner* wholesale operations achieved record sales and earnings and added eight new Eisner Agency wholesale accounts. *Eisner's* supermarkets also attained record sales and earnings. One new store (an *Eisner/Osco*) opened in Charleston, Illinois, and important investments were made to enlarge and remodel existing units. The Big "E" Food Stores in partnership with Osco in Indianapolis have achieved the market differentiation we sought with the 1977 conversion from traditional supermarkets to a discount priced, limited line, limited service concept. 1979 promises to be another year of progress for *Eisner*.

Buttrey Food Stores continued to perform in excellent fashion, both through their supermarkets and through the *Buttrey-Osco* food/drug stores. Sales increased for the 21st consecutive year and earnings for the ninth consecutive year. A new store was opened in Boise, Idaho, and a 28,000 square foot produce consolidation depot was opened in Sparks, Nevada. The ability of *Buttrey* people to grow profitably as they increase their coverage in existing markets and add new markets has again been demonstrated; a larger investment is planned for *Buttrey/Osco* stores in the Pacific Northwest in 1979.

Jewel Food Stores made significant earnings gains in 1978. Sales in the first half of the year were less than expected, but strongly improved in later months. A gain in operating earnings of 22% for the year is particularly noteworthy because the record January 1979 snow accumulation in Chicago cost over $1.5 million in extraordinary expenses for snow removal and related logistical problems. Further, we experienced distribution problems caused by a snow-burdened roof cave-in at one food distribution facility.

Jewel Food Stores closed the year with 11 fewer stores but approximately the same amount of selling space as operated at the start. Store closings came early in the year, while new store openings came almost entirely at the end of the year. Four new *Jewel/Osco* stores and one solo supermarket, representing a total of 227,000 square feet devoted to food, were opened and 31 other stores were remodeled or enlarged. Sixteen small, obsolete stores were closed. Continued major investments in remodeling, enlarging and relocating obsolete stores keeps *Jewel Food Stores* properties in modern, up-to-date condition.

Richard G. Cline

Richard E. George

Manufacturing continues to be of considerable importance for the Company and 1978 was another year of good contribution from this source. Two new production facilities were opened, one producing yogurt under our private Hillfarm label and the other producing ice cubes. Both are exceeding projected output.

1978 saw *Jewel's* generic grocery line expanded to 139 items and available in nearly all stores. *Jewel* was the first company to introduce generic groceries in the United States. As an important new step in the development of private label value, they have now become a key part of our overall marketing appeal and are being copied and adapted by food chains and wholesalers across the country.

This was another year of "focus on the basics". An essentially new *Jewel Food Stores* management team which began to form early in 1976 was completed during 1978. Its approach is simple: emphasize the basics of store operations, customer service, expense management, innovative marketing, product excellence, people training and management development. The outlook for *Jewel Food Stores* has seldom been better.

Osco Drug Stores

Operating earnings from the Company's drug stores were only moderately better this year than last. As previously reported, *Osco* people faced the task of reducing overhead proportionate to the amount which had been carried by the Turn*Style stores previously operated as part of the *Osco Drug, Inc.* structure. While the challenge was essentially met by year-end, earnings for the year suffered. Another challenge was a soft sales environment which prevailed in many *Osco* markets outside of Chicago during the first half of the year. This sales trend was reversed late in the year through effective but expensive sales-building activity which is expected to continue through the first quarter of 1979.

1978 was another year of substantial new store growth for *Osco* with the opening of 25 units, totaling 486,000 square feet, compared to 17 new unit additions of 319,000 square feet in 1977. In line with *Osco's* strategy to expand geographically, three drug stores were opened in Texas and one in Louisiana during the year. The new stores are on target and it is expected that this section of the country will provide a new geographic base for the Company. Of the new units opened by *Osco* in 1978, eight are combined locations with one of Jewel's supermarket companies.

The year ended with strong sales and growth is progressing in orderly though ambitious fashion. Human resources remain strong. At the end of 1978 there were 254 *Osco Drug* stores in operation. We expect the *Osco* team to manage the opening of 33 new stores in 1979 and approximately 70 in the succeeding two years, while continuing to improve the performance ratios of the business.

While *Osco's* drug stores have had only modest earnings improvements in the past two years, it is also true that these have been years of considerable investment for the future. In the eight years since 1970, *Osco's* drug store earnings have increased at an annual compounded rate of nearly 18% on a sales increase rate just over 14%.

Other Jewel Companies

At year-end, 58 of *Brigham's* 92 units were franchised with a degree of success that indicates a growth potential for this company. A modest new store program is being initiated in 1979 and, if progress continues, it is planned to accelerate the development of *Brigham's* as a franchise operation. 1978 earnings and return on equity were at all time high levels.

The *Direct Marketing Division* is now organized as three distinct businesses. The *Jewel Home Shopping Service* operates the Company's 1,210 routes in 40 states which were profitable for the 58th consecutive year. Management continued to reduce investment in customer credit balances and in the number of routes in operation. Since 1974, Jewel's investment in this business has been reduced by $9.3 million. The business remains a remarkably innovative selling organization as increased emphasis on party plan selling has added sales and earnings to the traditional door-to-door *Jewel Home Shopping Service* approach.

The *Park Corporation* is engaged in manufacturing and selling a variety of private label products not only to the *Jewel Home Shopping Service* and Jewel's food stores and drug stores but to a growing number of outside customers. Large institutional and restaurant buying associations are particularly attractive customers. *Park* recovered in 1978 from prior year difficulties with coffee inventory, had a record earnings year, and is positioned for continued progress.

Jewel T Discount Grocery is the third part of the Direct Marketing Division. The progress made in 1978 tends to confirm our belief in this concept. The

Lance W. Devereaux

Herman T. Landon

limited-line discount grocery store with its no-frills approach, offering the customer the very lowest of prices, represents a good growth opportunity for the Company. At year-end, 23 stores were operating in Florida and six in Pennsylvania; 27 additional stores were under lease, including prospective units in New Jersey, Delaware and Georgia. In addition to opening a second new market and developing sites in a third, *Jewel T* rounded out its management team in 1978 and was organized as a separate Jewel company. Sales in 1978, the first full year of operation, amounted to $32 million and operating losses were almost one million dollars.

White Hen Pantry convenience food stores had a good year with an operating earnings increase of 10%. Seven new stores were opened and 216 were operating at year end. Sales growth was strong. The average *White Hen Pantry* franchisee had an income of $31,000 in 1978, ranging up to $71,000. We regard this business as able to grow with new store additions at a minimum rate of 10% a year. We intend to expand in existing markets and through acquisition or through our own entry into new markets.

The marketing results of *Mass Feeding Corp.* in 1978 were encouraging with the total number of meals served increasing 25% to 45,000,000. The average selling price was considerably lower than we would have realized if market conditions had not been disrupted by adverse newspaper publicity which appeared in 1977 and which was not retracted as being false until almost a year later. Higher food costs than anticipated in *MFC's* bids to schools lowered our margin per meal. With well-controlled overhead spread over a good sales base, however, *MFC's* earnings were ahead of prior year and the operation continues to produce a good return on equity. We expect this business to continue to strengthen its market position.

Increased Financial Strength

The sale of Turn*Style as well as good management of assets enabled us to further improve the Company's balance sheet in 1978. Short-term borrowing was substantially reduced and net interest expense declined by $1,493,000 from the 1977 level.

On September 25, 1978 Jewel repurchased 557,600 shares of its outstanding common stock for $14,933,000. This should increase earnings per share by about 15¢ on an annualized basis. Despite this reduction of equity, Jewel's debt to debt-plus-equity ratio improved.

Jewel's program of real estate ownership (established in 1957), under which residual ownership benefits in many retail store facilities are retained for the Company through real estate affiliates, continues to contribute to Jewel's financial strength and future profitability. Today, 40% of Jewel's food and drug locations are owned in this manner with an original cost of $160,000,000.

Our capital investment plans (not including real estate affiliates and capitalized leases) for 1979 total $80 million compared to $68 million in 1978. Although increased capital will also be needed to finance inventories in a period of higher inflation, additional long-term borrowing is not anticipated in 1979.

Management and Director Changes

Several years ago we initiated a thorough examination of Jewel's strengths and weaknesses and attempted to assess the Company's opportunities for the 1980's. Beginning on page 11 is a general view of Jewel's business plans based on that and subsequent study. Having determined the Company's major business opportunities for the years ahead, we undertook late in 1977 and early in 1978 to examine organizational structure related to what we wanted to accomplish. There were sufficiently compelling alternatives to warrant the appointment of a senior operating officer to the task of reviewing and re-thinking Jewel's existing structure vis-a-vis other forms. Richard Cline, who had been President of Osco Drug, Inc. since 1970 and who was thus familiar with the challenges of managing both food and drug entities in common locations, was chosen for this reponsibility in September, 1978. His comprehensive study of all parts of Jewel concluded that our best options were in the direction of evolution rather than major and sudden change.

To play a key role in the process of change in support of the Company's business plans for the years ahead, Mr. Cline was elected Senior Executive Vice President of Jewel Companies, Inc. on January 15, 1979. He will work with us and with the presidents and other senior officers of the various Jewel companies to help us to carry out various aspects of the Company's development.

Richard George, who a year ago was named Executive Vice President, Operations, Osco Drug, Inc., was named to succeed Mr. Cline as President of Osco.

On January 5, 1979, Lance Devereaux was named President of the Jewel Home Shopping Service and Herman Landon was named President of Jewel T

Discount Grocery and continues as President of The Park Corporation. They had been Group Vice Presidents of the Direct Marketing Division of which Betty McFadden continues as President responsible for its three operating units.

On April 2, 1979 Samuel J. Parker, formerly Vice President, Eisner Food & Agency Stores, was elected Vice President, Business Development, of Jewel Companies, Inc.

On December 31, 1978, John Mugar retired as Chairman of Star Market Co. after a career spanning 47 years. He contributed importantly to the building of Star, one of the country's quality food businesses and a highly valued part of Jewel.

George L. Clements retired from the Company's Board of Directors on June 21, 1978. Mr. Clements was employed by the Company in 1929, served for 14 years as President and five as Chairman and Chief Executive Officer. He retired from management in 1973. George Clements was an outstanding Jewel leader whose common sense and vision contributed importantly to the human strengths and the diversified retailing base on which our future plans are formulated.

Stephen M. DuBrul, Jr., who served as a Jewel Director from 1965 to 1975 and who then resigned to serve as President of the Export-Import Bank, was reelected to the Board on June 21, 1978.

Arthur W. Schultz, Chairman of Foote, Cone & Belding Communications, resigned as a Director of the Company in September, 1978, because of his firm's acquisition of a company which has as a client one of Jewel's competitors. Mr. Schultz, who had served on the Jewel Board since 1973, will be missed as a Director.

1979

We enter 1979 with positive feelings, although inflation is an obvious challenge. When concerned about the cost of living, people naturally buy more selectively. Beef prices will probably continue to increase to higher levels. Fortunately, nutritious alternatives are available at lower cost. Unfortunately, interest groups including some government officials may look for scapegoats among distributors on whom to place blame for inflation that more rightly belongs to government and its agricultural and general spending policies of past years.

While we see no short-term problems living within voluntary guidelines for margins, competition is strong and is much more likely to work in the customer's interest than is government intervention. We worry only that artificial restraints will repeat the problems of the early 1970's when the negative effects of distortions in production and distribution caused by controls were much more apparent than were any long-term benefits of lower prices or reduced inflation.

We have sold two businesses, Turn*Style and Republic Lumber, the results from neither of which justified the required input of capital and management talent. We have solid plans to grow, particularly in the two broad based areas of our greatest expertise, food and drug. Growth will be both geographic and in the diversification of store type. It will come at retail, wholesale, and manufacturing levels, through franchise and corporate stores, through new stores as well as remodeled and enlarged stores, and in discount and full service presentations. With food stores expected to operate in 24 states and drug stores in 22 states by year-end 1979, we will fill a greater variety of shopping needs in more geographic areas than ever before.

1979 will be the story of able and dedicated Jewel people of whom we again expect new records in sales and earnings. For all Jewel people do to serve our customers so well, we have the deepest appreciation. To our customers we are grateful. To our shareholders we express both our thanks for investing in Jewel and our optimism about the future.

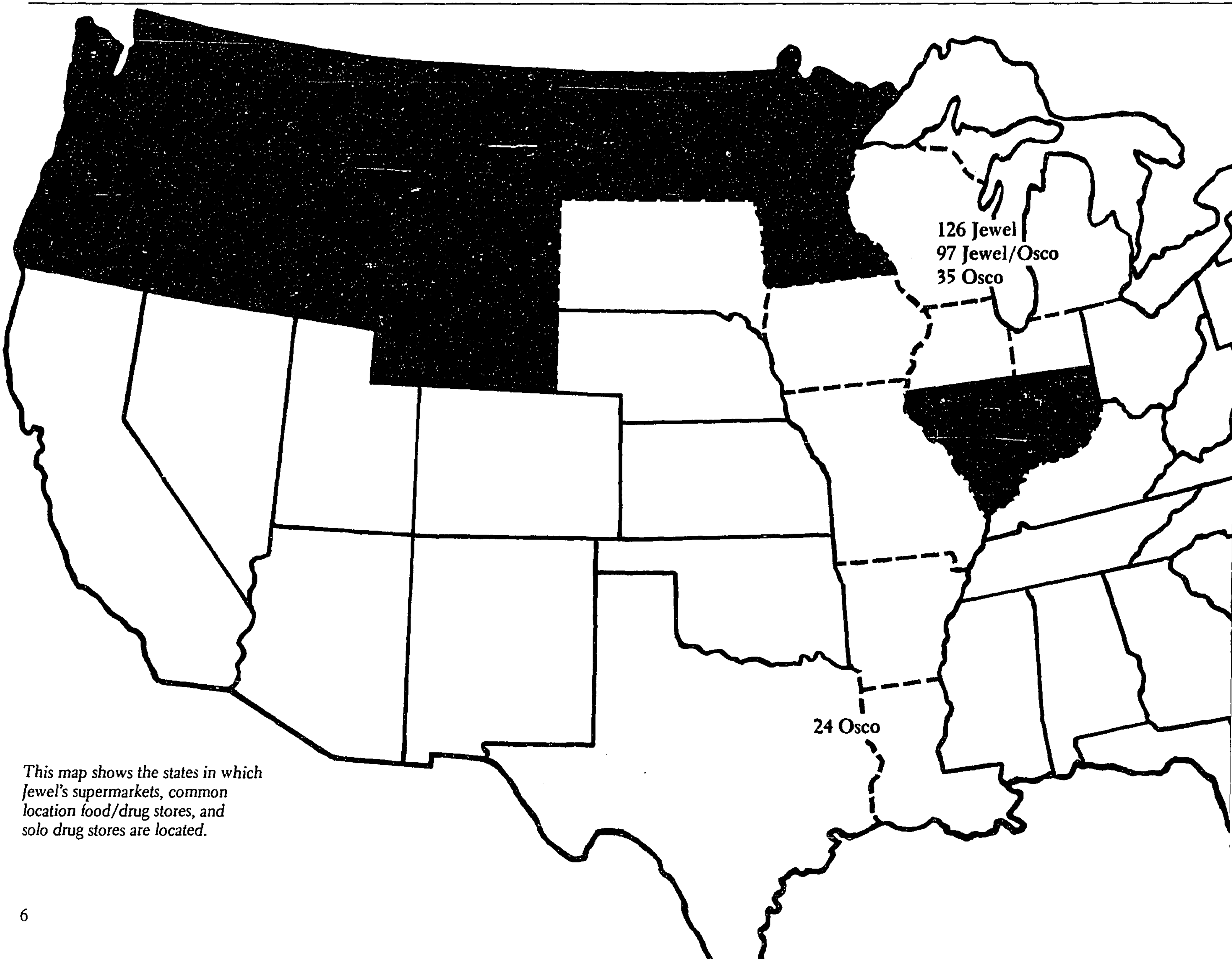
Donald S Perkins

D. S. Perkins,
Chairman

Weston Christopherson

W. R. Christopherson,
President

Pictured above, left to right: Donald S. Perkins, Chairman and Weston R. Christopherson, President



This map shows the states in which Jewel's supermarkets, common location food/drug stores, and solo drug stores are located.

Star Market Company	1978	Plan 1979
Stores, beginning of year	61	61
New stores opened	—	1
Stores closed	—	1
Stores, end of year	61	61
Total square feet (in thousands)	1809	1819

James H. Henson, *President*
Star Market Company
625 Mt. Auburn Street
Cambridge, Massachusetts 02138

Jewel Food Stores	1978	Plan 1979
Stores, beginning of year	234	223
New stores opened	5	6
Stores closed	16	3
Stores, end of year	223	226
Total square feet (in thousands)	6,730	7,040

Walter Y. Elisha, *President*
Jewel Food Stores
1955 West North Avenue
Melrose Park, Illinois 60160

Eisner Food & Agency Stores	1978	Plan 1979
Stores, beginning of year	32	32
New stores opened	1	1
Stores closed	1	—
Stores, end of year	32	33
Total square feet (in thousands)	767	817
Affiliate stores	58	60

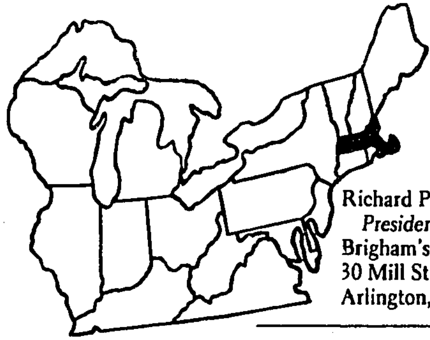
David L. Diana, *President*
Eisner Food & Agency Stores
301 East Wilbur Heights Road
Champaign, Illinois 61820

Buttrey Food Stores	1978	Plan 1979
Stores, beginning of year	47	48
New stores opened	1	5
Stores closed	—	—
Stores, end of year	48	53
Total square feet (in thousands)	1,217	1,352

Philip R. Palm, *President*
Buttrey Food Stores
601 Sixth Street, S.W.
Box 5008
Great Falls, Montana 59403

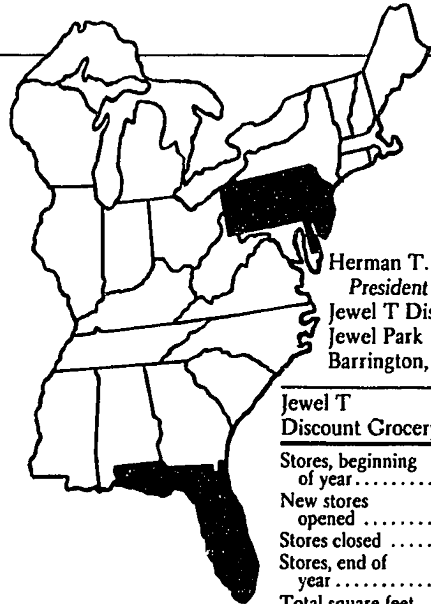
Osco Drug	1978	Plan 1979
Stores, beginning of year	245	254
New stores opened	25	33
Stores closed	16	5
Stores, end of year	254	282
Total square feet (in thousands)	4,394	4,929

Richard E. George, *President*
Osco Drug, Inc.
1818 Swift Drive
Oakbrook, Illinois 60521



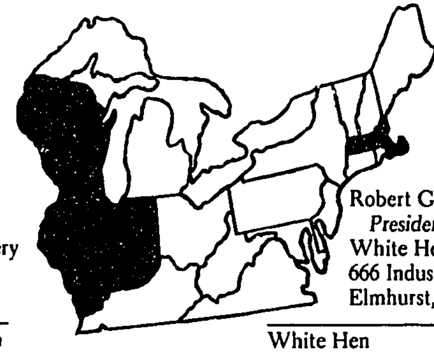
Richard P. Johnson,
President
Brigham's
30 Mill Street
Arlington, MA 02174

Brigham's	1978	*Plan* 1979
Stores, beginning of year	96	92
Stores opened	2	6
Stores closed	6	—
Stores, end of year	92	98
Total square feet (in thousands)	274	284



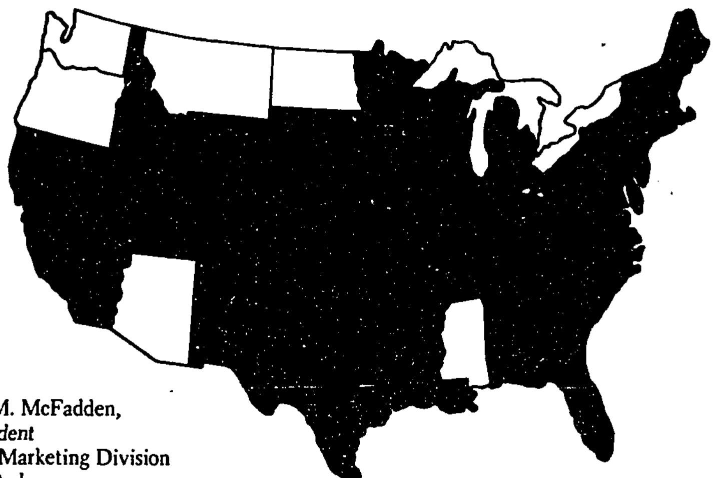
Herman T. Landon,
President
Jewel T Discount Grocery
Jewel Park
Barrington, IL 60010

Jewel T Discount Grocery	1978	*Plan* 1979
Stores, beginning of year	11	29
New stores opened	18	50
Stores closed	—	—
Stores, end of year	29	79
Total square feet (in thousands)	246	663



Robert G. Robertson,
President
White Hen Pantry
666 Industrial Drive
Elmhurst, IL 60126

White Hen Pantry	1978	*Plan* 1979
Stores, beginning of year	213	216
New stores opened	7	25
Stores closed	4	5
Stores, end of year	216	236
Total square feet (in thousands)	547	595

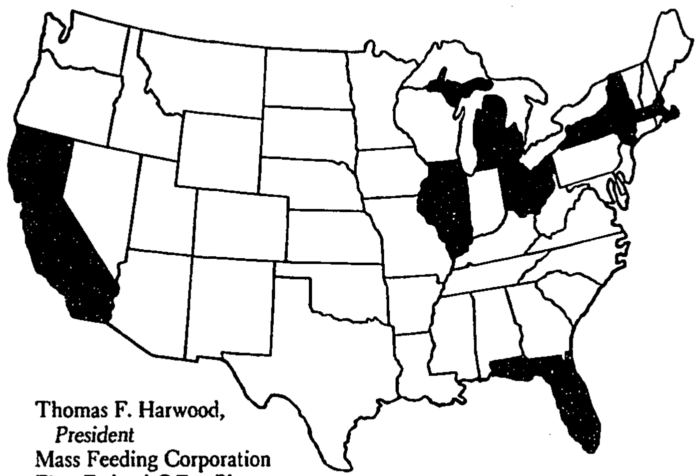


Betty M. McFadden,
President
Direct Marketing Division
Jewel Park
Barrington, IL 60010

Lance Devereaux, *President*
Jewel Home Shopping Service

Herman T. Landon, *President*
The Park Corporation

Jewel Home Shopping Service	1978	*Plan* 1979
Routes, beginning of year	1,301	1,210
New routes opened	—	—
Routes closed	91	44
Routes, end of year	1,210	1,166



Thomas F. Harwood,
President
Mass Feeding Corporation
First Federal Office Plaza
1699 East Woodfield Road
Schaumburg, IL 60193

Mass Feeding Corporation	1978	*Plan* 1979
Meals served (in thousands)	45,613	50,600

AURRERA, S.A.

In 1978, Mexico accelerated the momentum of its social and economic progress and Aurrera celebrated the 20th anniversary of its founding with record sales and earnings. In its fiscal year ended July 31, 1978, Aurrera's sales improved 32.5% and net earnings were up 40.5%. Net earnings were 4.5% of sales.

From August through December, 1978, the first five months of Aurrera's current fiscal year, earnings in pesos exceeded the same period in the prior year by 44.0% on a 28.4% gain in sales.

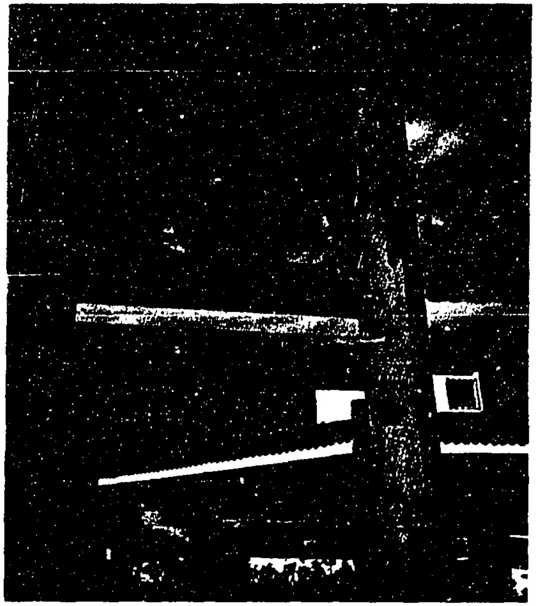
The growth record of Aurrera and each of its operating businesses is indeed impressive:

Compound Growth for Fiscal Years Ending July 31, 1978	*Sales* Latest Year	*Sales* Past Five Years	*Net Earnings* Latest Year	*Net Earnings* Past Five Years
Self-Service Discount Stores	32.4%	33.0%	39.1%	26.5%
Restaurants	44.6	41.2	49.2	51.5
Fashion Apparel Stores	27.2	47.3	34.1	76.9
Consolidated	32.5	34.4	40.5	34.0

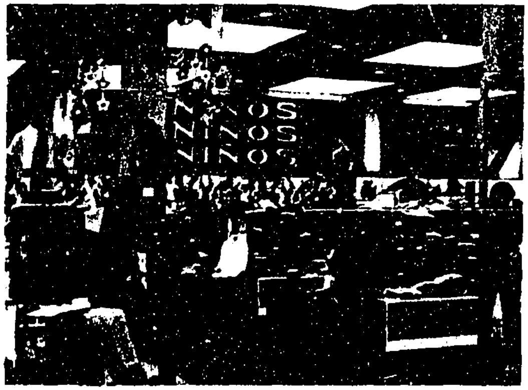
The leadership role of Aurrera in Mexican food and general merchandise retailing was highlighted by a number of events in 1978.

- In July, Aurrera introduced for the first time in Mexico a line of generic food and general merchandise items patterned after the private label food idea introduced by Jewel in the United States in 1977. Aurrera's generic line, which currently contains 70 food and 17 apparel items, has been enthusiastically received by Mexican consumers.
- In August, a prototype of a new restaurant, El Porton, specializing in indigenous Mexican food specialties was opened successfully in Mexico City.

Aurrera's customers select from an attractive display of prepared foods in a modern supermarket atmosphere.



El Porton is a unique new Mexican restaurant concept, as exciting as the 32 Vips restaurants which have been received so enthusiastically by the Mexican public.



Five Suburbia stores in Mexico City carry high quality fashion apparel for the whole family.

- Four units were added to the highly successful chain of Vips fast service restaurants, two of which are located outside the Mexico City area. An experimental boutique was added to one Vips unit.
- A first franchised Vips restaurant was opened in Monterrey.
- An existing general merchandise store was purchased in Guadalajara and plans were completed for a second store in an Aurrera shopping center there.

Plans for 1979 include the opening of 7 Vips and 2 El Porton restaurants, 3 Suburbia stores and 5 large Aurrera general merchandise and food stores.

Aurrera has paid dividends on a regular basis since 1973. Since 1974/75 these have been at a rate of 50% of the prior year's annual earnings.

Fiscal Year	Earnings Per Share*	Dividends Per Share Paid From Earnings: Amount*	Dividends Per Share Paid From Earnings: %
		(Pesos)	
1972/73	.72	.22	31
1973/74	.90	.28	31
1974/75	1.21	.61+	50
1975/76	2.12	1.06	50
1976/77	2.22	1.11	50
1977/78	3.11	1.55	50

*Adjusted in all periods for stock split in July, 1978 increasing outstanding shares to 140,000,000.

+Excludes special dividend of Ps 99,990,000 declared in October 1975.

As of February 3, 1979, Jewel owned 58,369,176 Aurrera shares or 41.7% of the total shares outstanding.

The outstanding abilities of the Aurrera organization and its 13,000 employees, operating in an environment of increasing stability, progress and confidence in Mexico, lead to continued optimism concerning this major investment of Jewel.

JEWEL'S BUSINESS PLANS 1979-81

Each of the Jewel companies is expected to contribute to planned progress in the years ahead. Each is targeted to increase its return on equity or to maintain an already acceptable level. It is our plan to invest heavily in some businesses and only moderately in others. Each operating company strategy is important to the achievement of overall corporate objectives. The contributions from those businesses for which modest investment is planned will be as crucial to our goals as will be the results of the businesses in which investment will be high.

Jewel's investment plans can be described in brief as follows:

New Investment to Expand the Company

... *with common location food/drug stores in existing and new markets.*

... *with solo drug stores in existing and new markets.*

... *with Jewel T Discount Grocery stores in several sections of the country.*

... *with franchising and agency operations.*

... *in manufacturing and processing.*

... *through acquisitions which might offer further geographic diversification or business mix.*

Continuing Investment to Maintain a Strong Company

... *in existing retail food and drug facilities so that as a result of remodeling and enlargement they are second to none in their markets.*

... *in warehousing and other support activities to be able to operate with optimum efficiency.*

... *through our 41.7% ownership of fast-growing Aurrera in Mexico.*

Toward the Goal

... *of achieving a 15% return on shareholders' equity by 1981.*

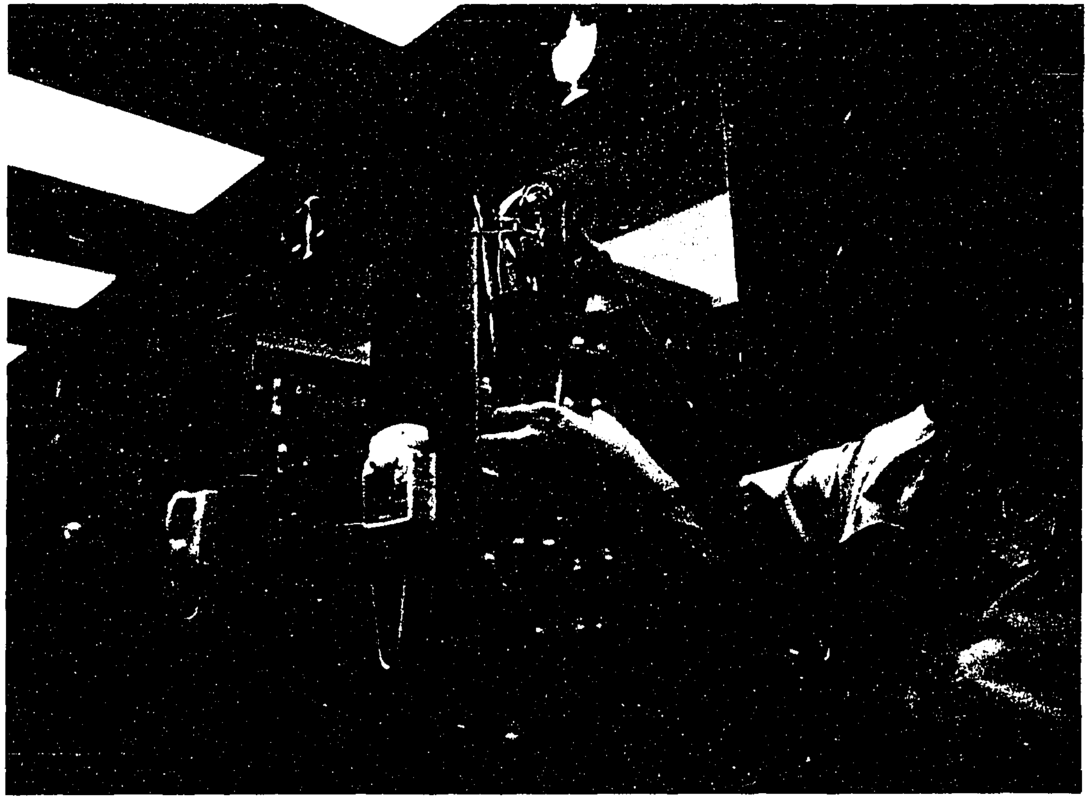
... *and to regularly increase dividends to shareholders as earnings advance toward that goal.*


SEAFOODS
BUTCHE SHOP
GENERIC FOODS

Food-Drug Store Expansion

In 1978, 50% of our supermarket and drug store sales and 60% of food-drug net earnings came from the Company's 157 common food-drug locations. These are our most profitable large retail stores with a net earnings ratio to sales superior to that of solo food and drug units. Investment plans are such that we expect combined food-drug stores to account for a larger segment of total supermarket and drug sales by 1981. Combining a modern promotional drug store with a supermarket makes good sense to serve the needs of our customers, and when the unit is well-stocked and well-managed it is hard to beat for the most frequently made shopping trips.

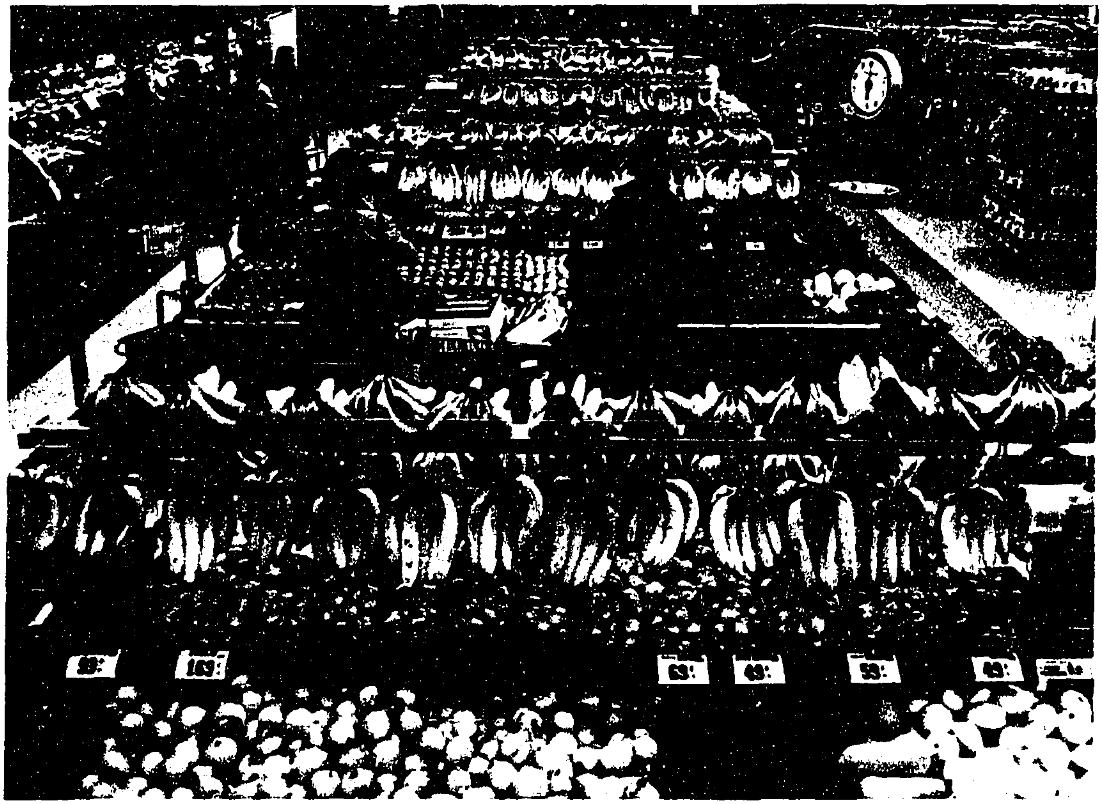
It is Jewel's strategy that almost all new and remodeled common food-drug locations will take the form of combined single check-out stores. Where property configuration or zoning problems prohibit a common check-out store, we choose the side-by-side unit as a good alternative. The average size of our food-drug common locations is 47,000 square feet, with the sales area devoted 63% to food and 37% to drug. New stores will be in the range of 45,000 to 80,000 square feet in size.



A pharmacist in the Jewel/Osco store in Woodridge, Illinois, prepares a prescription.

Opposite page:

One of the newest combined food/drug stores is located in Darien, Illinois. In a total area of over 68,000 square feet, two-thirds is devoted to food and one-third to drug store items and general merchandise.



The new Buttrey/Osco combination store in Sheridan, Wyoming is a 44,500 square foot facility with plenty of space for Buttrey's outstanding produce presentation.

We expect in 1979 to add from 10 to 12 new food-drug combination stores and to have major remodelings and/or enlargements of 25 food-drug units.

Drug Store Expansion

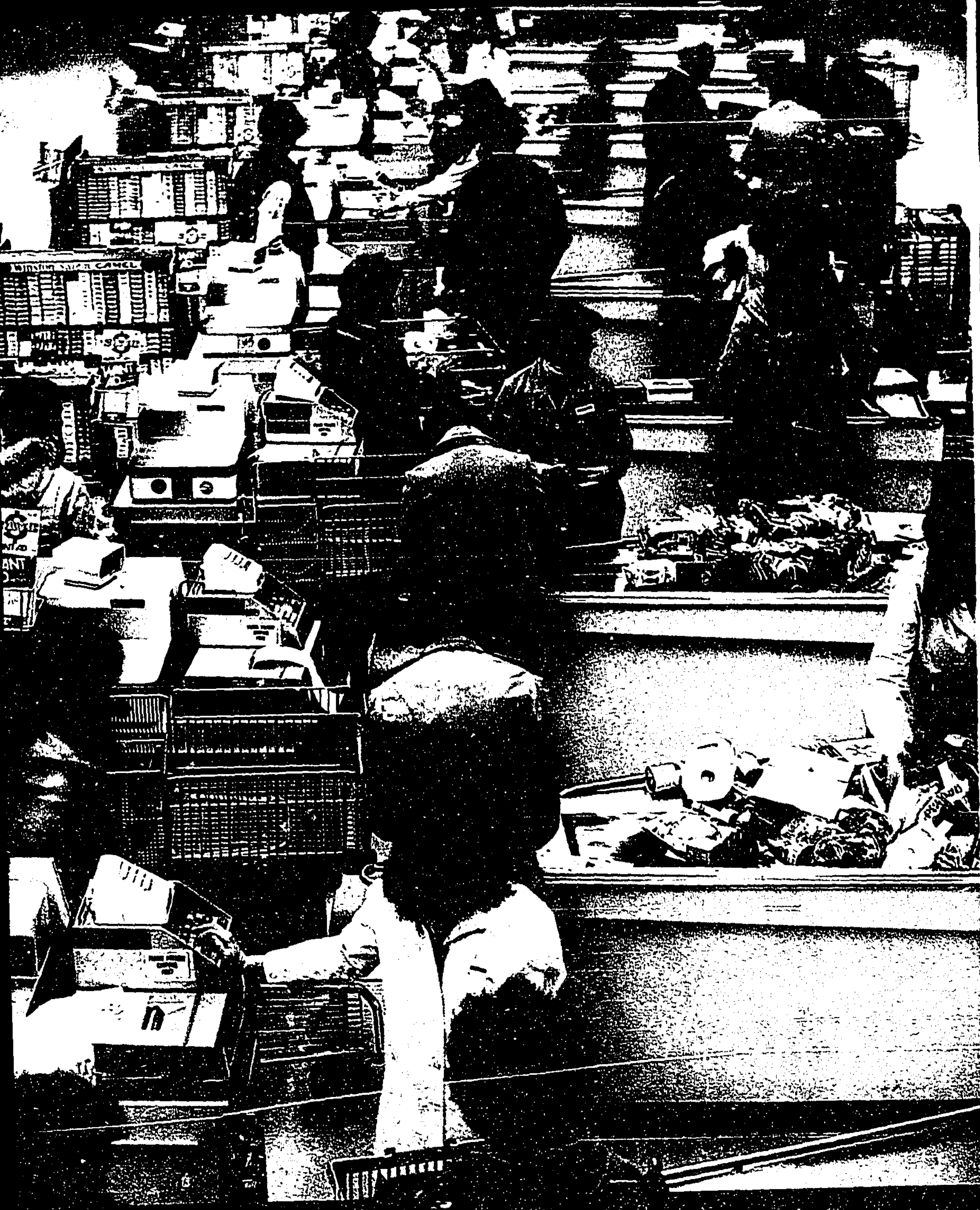
In addition to Jewel's plans to open food-drug stores, we continue to believe that opportunities for solo drug store growth are excellent. We have been investing heavily in the development of both the management and systems required to expand Osco. Having opened 25 Osco drug stores in 1978, approximately 100 new stores are currently projected in the three years 1979 to 1981, of which 60 are planned as solo drug stores. With some projected closings, Osco should end 1981 with approximately 340 locations in 25 states.

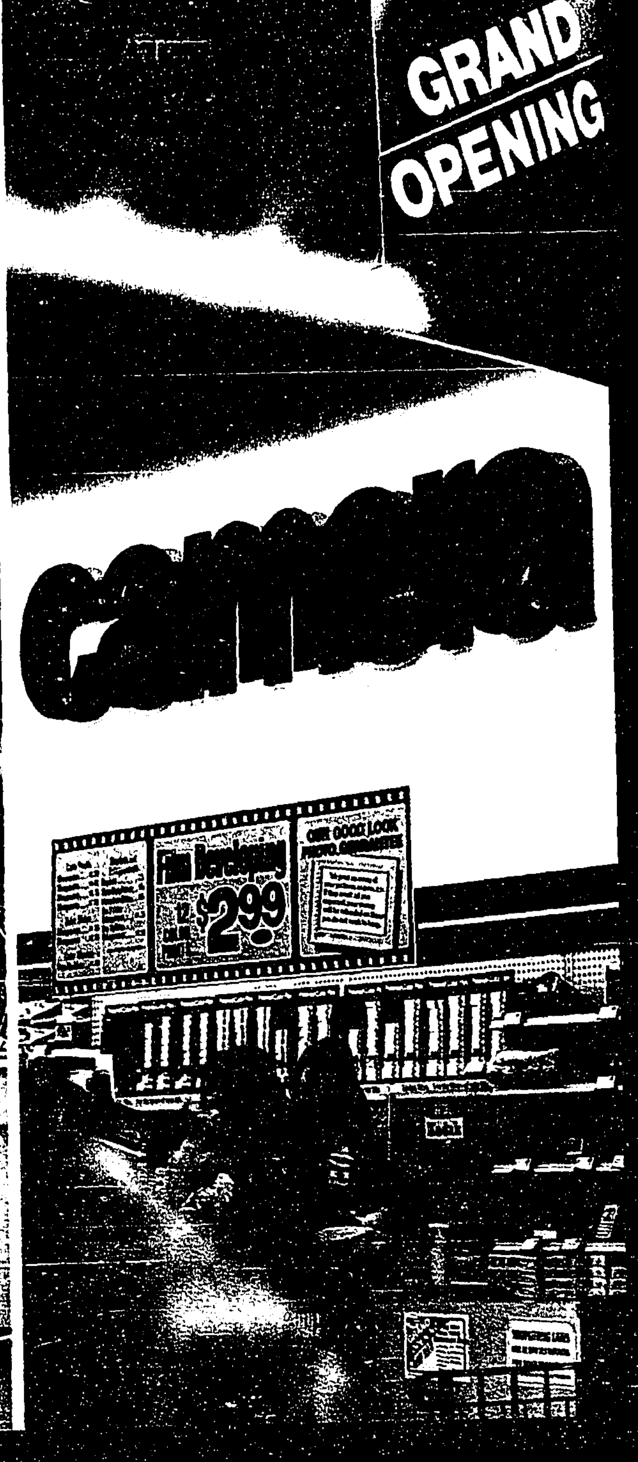
In making these plans, two location types are particularly attractive. The first is the solo drug store site in a market in which Osco is operating but in which additional market coverage is desirable because sales can be added with minimal additional overhead and advertising expense. Such markets include Chicago, Boston and Indianapolis.

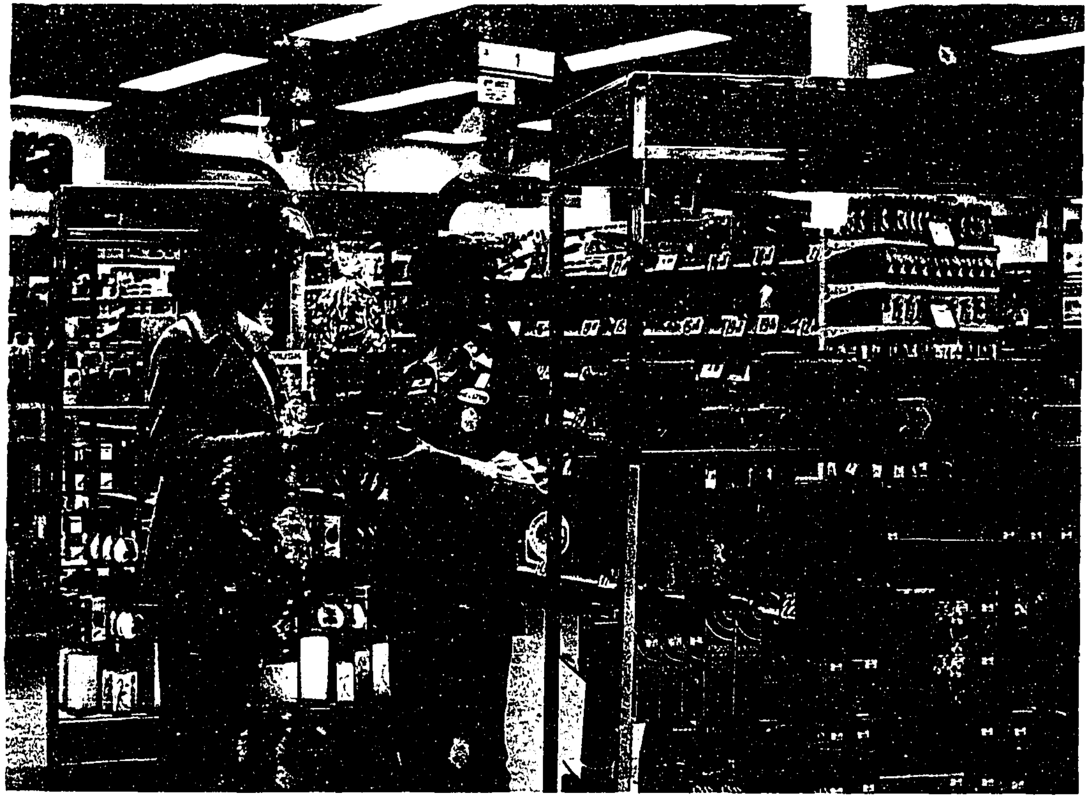
Opposite page:

(Left) Star Market's 32,500 square foot store in Auburndale, Massachusetts, a Boston suburb, opened in 1959 and was enlarged and completely refurbished in 1978.

(Right) A well-equipped photographic department, as in the new Jewel/Osco combination store in Woodridge, Illinois, is one of the core elements of modern discount drug retailing.




GRAND
OPENING
$2.99



The Jewel/Osco in Westmont, Illinois carries a full line of quality cosmetics and fragrances, toiletries, costume jewelry and health and beauty aids.

The second location type is found in regional shopping centers both in cities where Osco has previously built a reputation and in new territories.

Osco's stores, which are large and modern in design, offer a wide range of seasonal, variety and other lines in addition to traditional drug store merchandise. A new Osco store carries 20,000 or more items and typically has a minimum of 15,000 square feet of selling space. Osco core departments (which include pharmaceuticals, health and beauty aids, camera, and greeting cards) account for over 50% of Osco's retail sales.

The plan to open 100 new Osco drug stores in the next three years is an exciting challenge. When Osco merged with Jewel in 1961, the chain consisted of 30 stores operating in six states.

Opposite page:

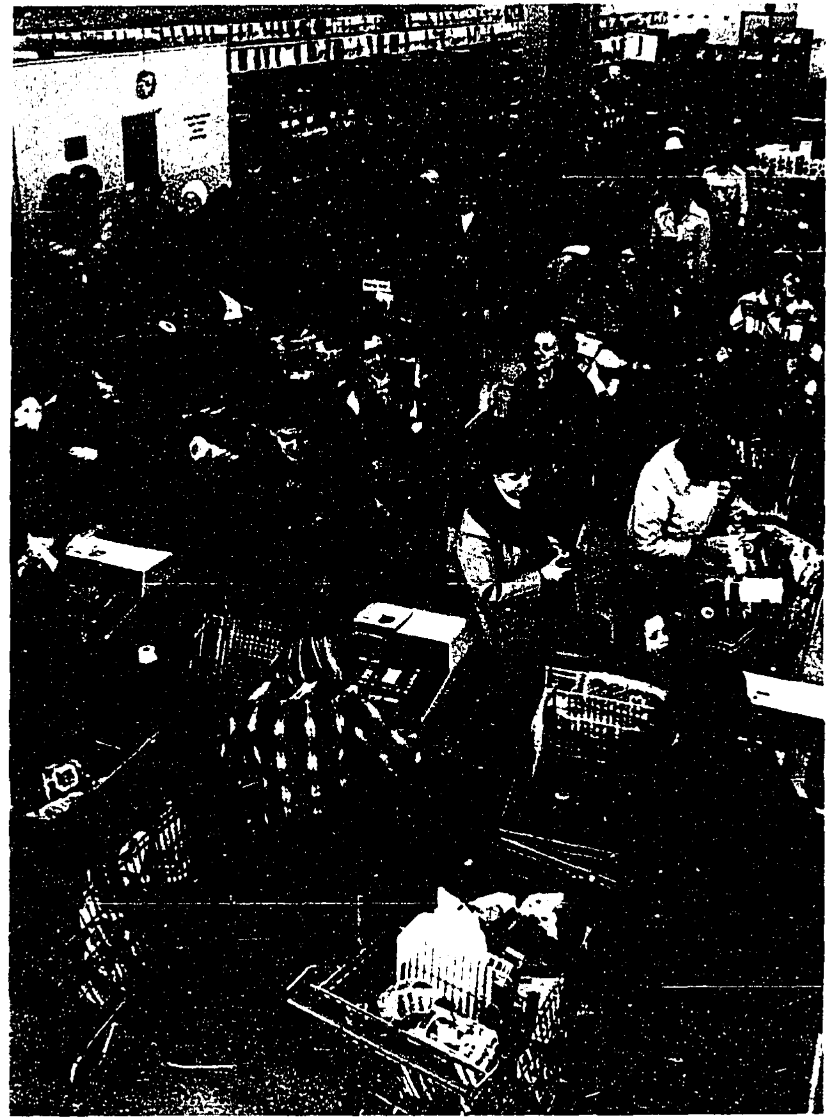
Many of the newest Osco stores are located in shopping malls such as this recently opened store in Joliet, Illinois.


drug

Jewel T Discount Grocery

Jewel's experience thus far with a new type of store, a relatively small and modest facility offering less than 500 grocery items at substantially reduced prices, is encouraging. As expected, however, start-up is costly. From our 1977 start in Florida, we expanded these limited line discount grocery stores to eastern Pennsylvania and there were 29 open at the end of the fiscal year. We will continue to open stores in these areas and to expand in New Jersey, Delaware, Georgia and other states in the next three years.

It seems clear from our experience to date that there is a demand for a no-frills approach to grocery retailing, provided only that the cost advantages are passed on to the consumer in lower prices. Jewel T offers the no-frills price alternative to the quality and variety of the supermarket or the food-drug store. Continued success in this business should make it a significant Jewel company.



The new Jewel T Discount Grocery in Norristown, Pennsylvania presents its merchandise in shipping cases. Non-essential services are eliminated and prices are significantly lower.

Franchising

Jewel has three successful franchise or agency activities today: 209 of the 216 White Hen Pantry convenience stores, 58 of the 92 Brigham's units and 58 Eisner Agency stores. They produce among the highest returns on equity of any of our domestic operations.

There is a basic attraction for the small business entrepreneur to invest time and a modest amount of money in a well-organized franchise program which provides strong support and assistance for the franchisee on financial terms that assure an attractive income when results reach reasonable and attainable goals. This is the kind of program offered by White Hen Pantry convenience

More and more Brigham's locations, like this Swampscott, Massachusetts restaurant, are owned and managed by independent franchisees.

White Hen Pantry customers may purchase sandwiches attractively prepared to their order in the Sandwich Works.

stores and Brigham's ice cream shops and restaurants. We will add 25 new White Hen Pantries and six Brigham's in 1979. We expect an increased level of growth for each in 1980 and 1981.

Eisner's successful and growing wholesaling program helps to provide many of these same benefits for the owners of Agency stores in Indiana and Illinois.

Mexico . . . *Jewel's Investment in Aurrera*

Jewel's investment in Aurrera, S. A. (Mexico's leading retailer and fast growing operator of food and general merchandise discount stores, fashion apparel stores and restaurants) is expected to continue to make an important contribution to Jewel's earnings. Aurrera's compound growth in sales has been 34% per year for the past five years. Earnings have also grown at a compound rate of 34%.

In fiscal 1978, 92% of Aurrera's sales were achieved in the Mexico City metropolitan area. Major growth will continue there through the addition of Suburbia stores and Vips restaurants and, as new store permits are available, an occasional large Aurrera food and general merchandise store. In addition, however, the cities of Guadalajara and Monterrey were entered in 1978 and additional investments are contemplated outside of the Mexico City area in 1979, 1980 and 1981.

Prospects for the Mexican economy, supported by major oil resources, are excellent. Mexico City, expected in a few years to be the world's largest metropolis, presents outstanding opportunities for merchants who deliver honest values.

The operating results of the Aurrera organization are outstanding and the value of Aurrera shares has responded accordingly. It is our current intention to maintain Jewel's 41.7% ownership of Aurrera's shares which will enable Jewel to report on a pro rata basis the attractive earnings growth we expect Aurrera to continue to enjoy.

Up-To-Date Supermarkets and Drug Stores

Although Jewel's principal new investment thrust will be in common location food-drug facilities, we will continue to operate many outstanding solo food stores and drug stores in existing markets. These stores will be successful, high volume units if they are kept in modern condition and are large enough to offer a wide variety of product. While common location stores will grow in number and importance, solo stores will represent a still vital part of our total business. In 1978, interestingly, the highest volume retail food store in Jewel Companies, Inc. was a free-standing supermarket.

Because we are committed to the notion that our stores, of whatever type, must be kept modern, we invest accordingly. At the outset of 1979, 50% of our food and drug retail square footage is less than five years old or has been completely remodeled in that time frame. We project that continuation of an aggressive refurbishment program will maintain this ratio.

The meat department in the remodeled Eisner store in a Champaign, Illinois shopping center reflects a commitment to modern, well-maintained facilities.

Frozen pizzas are popular items in all of Jewel's food outlets.

Acquisitions

Although all of Jewel's existing opportunities described in this report should on their own match the earnings and return on investment goals we have set for Jewel, we are alert to acquisition possibilities that may facilitate our entry into new geographic markets, expand the reach of our franchise and agency ventures or provide added diversification to our existing mix of retail enterprises.

Efficient Support Facilities

With 4.6 million square feet of warehousing and other support facilities and 430 tractors and 1,325 trailers carrying product from these facilities to service our retail businesses, it is obvious that Jewel is as strong as its logistical links. Each of the Jewel companies is investing regularly to keep these crucial links modern and efficient.

Manufacturing

In fiscal 1978 Jewel manufacturing sales (measured by transfer prices to other Jewel units and actual prices to outside customers) totaled $318 million. This was 9% of our total 1978 sales.

Jewel's manufacturing history goes back to the inception of the business in 1899 when coffee was roasted and packaged daily for home delivery. Today our facilities produce a wide range of products, including:

- Dairy products such as milk, ice cream, cheese and yogurt
- Delicatessen products such as sausages, salads and pizza
- Coffee, tea, soft drinks and other beverages and beverage mixes
- Bakery products and potato chips
- Jams and jellies
- Vitamins, pain relievers and other pharmaceuticals
- Household products such as baking soda, detergents, cleansers and waxes
- Photo processing services
- Ice cubes and ice cream toppings

The major customer for our manufacturing facilities will remain our own retail outlets. Effective integration of modern, well-run manufacturing facilities with related marketing support provides a degree of management control and flexibility in production and distribution costs that enables us to offer unusual values to our customers while providing an above average return for our shareholders. The sales volume potential provided by growth of the Jewel T limited line discount grocery stores and the expansion of generic product presentations in our supermarkets enhances the potential for profitable Jewel manufacturing.

Jewel's 1981 Goals

Our earnings goals are

. . . to produce a minimum of 15% return on shareholders' equity (1978 results were 12.1%).

. . .to begin a new series of annual earnings increases (we had completed 11 consecutive years of earnings increases prior to 1975).

. . .to produce domestic net earnings of at least 1.0% of sales by 1981 (1978 results were .93%).

Jewel's dividend goal is to continue annual increases which reflect earnings increases.

Our human goals are directed toward a climate that invites and rewards both team and individual achievement. There will be continued emphasis on the quality of management development for which we expect to rank second to none in our industries.

Our corporate goals are to enhance the reputation of Jewel Companies, Inc., through the vigorous pursuit of excellence and integrity in all that we do.

Jams and jellies are among the many items produced by The Park Corporation at its plant in Jewel Park, Barrington, Illinois.

MANAGEMENT'S ANALYSIS OF EARNINGS

1978 Compared to 1977

The Company achieved sales and earnings records in 1978. Net earnings for the year were $3.59 per share compared to 1977 earnings of $2.29 per share, an increase of 56.8% over 1977 and 15.8% over the previous record year of 1976. The Company's 1978 fiscal year included 53 weeks versus 52 weeks in 1977.

An analysis of the major factors contributing to the $1.30 increase in net earnings per common share follows:

	Increase (Decrease)		
	Sales	Operating Margins*	Total
Operating earnings before unallocated expenses:			
Supermarkets	$ .19	$ .29	$ .48
General merchandise stores	(.09)	(.05)	(.14)
Other operations	.05	.08	.13
Total	$ .15	$ .32	.47
Unallocated-net			.05
Operating earnings			.52
Losses on facility dispositions			.42
Interest income			.09
Interest expense			(.03)
Effective income tax rate			(.06)
Earnings of U.S. companies			.94
Equity in Aurrera, S.A.			.32
Decrease in common shares outstanding			.04
Net earnings per common share			$1.30

**Changes in operating margins consist of changes in gross margin rates and operating expense ratios.*

Total sales for the 53-week fiscal year ended February 3, 1979 increased 7.3% over the 52-week fiscal year ended January 28, 1978 and contributed an additional $.15 per share to fiscal 1978 earnings. Excluding the sales of the Company's Turn*Style division which was sold in June 1978, the increase was 12.4% due primarily to a 10.8% sales increase in the four supermarket companies. Sales in all identical store units were higher by 10.7%.

Total operating earnings before unallocated expenses improved $.47 per share. Particular strength was reflected in all of the Company's supermarket chains, the combined operating earnings of which increased $.48 per share. The largest percentage increases were contributed by the Star Market and Eisner Food Store divisions. The operating earnings of Jewel Food Stores, the Company's largest unit, increased 22% over 1977.

General merchandise operating earnings declined $.14 per share for the year primarily because of losses incurred by the Company's Turn*Style self-service department stores prior to its sale in June 1978. Despite the erosion of margins resulting from aggressive sales promotions and new store openings, operating earnings from Osco's drug stores showed moderate improvement and contributed an additional $.02 per share for the year.

The $.13 per share increase in operating earnings from the Company's other operations includes $.09 per share from the manufacturing operations of Park Corporation as it achieved the highest earnings in its history.

Losses on facility dispositions in 1978 amounted to $.03 per share compared to $.45 per share in 1977. The losses in 1978 include a $900,000 pre-tax provision for the planned sale of the assets of the Company's Republic Lumber division; 1977 losses consisted principally of a pre-tax provision of $7,300,000 for the sale of the Company's Turn*Style division.

Higher interest income increased net earnings $.09 per share in 1978 as the result of increased short-term investments. Additional interest expense of the Company's affiliated real estate corporations relating to new store financings lowered net earnings in 1978 by $.03 per share.

A higher effective income tax rate, primarily the result of lower investment tax credits, decreased net earnings $.06 per share in 1978. Investment tax credits were reduced in 1977 because of recapture provisions relating to the sale of Turn*Style which were considered in the earnings per share impact of the Turn*Style disposition. Excluding the 1977 recapture, investment tax credits were less in 1978 as the result of a reduction in qualifying equipment expenditures.

Operating results of Aurrera, S.A., Mexico's leading retailer in which the Company has a 41.7% interest, reached a record high and Jewel's equity in Aurrera's net earnings contributed an additional $.32 per share to 1978 net earnings.

A decrease in the average number of common shares outstanding for the year, as a result of the purchase of 557,600 outstanding common shares for the treasury in 1978, contributed $.04 per share to net earnings in 1978.

1977 Compared to 1976

Net earnings decreased $.81 per share, or 26.1%, from 1976. In summary, higher operating earnings and an increase in investment tax credits were offset by losses on facility dispositions and a decrease in the Company's equity in earnings and translation gains of Aurrera, S.A.

An analysis of the major factors contributing to the $.81 decrease in net earnings per common share follows.

	Increase (Decrease)		
	Sales	Operating Margins*	Total
Operating earnings before unallocated expenses:			
Supermarkets	$ .17	$ .19	$ .36
General merchandise stores	.06	(.23)	(.17)
Other operations	.02	(.15)	(.13)
Total	$ .25	$ (.19)	.06
Unallocated-net			.04
Operating earnings			.10
Losses on facility dispositions			(.40)
Net interest expense			(.06)
Effective income tax rate			.19
Earnings of U.S. companies			(.17)
Equity in Aurrera, S.A.			(.62)
Increase in common shares outstanding			(.02)
Net earnings per common share			$ (.81)

*Changes in operating margins consist of changes in gross margin rates and operating expense ratios.

Total sales increased 9.9% over 1976 and contributed an additional $.25 per share to 1977 earnings. The increase was due primarily to an 11.3% increase in the four supermarket companies. Sales in identical units increased 6.4% with the balance of the increase relating to new facilities.

Total operating earnings before unallocated expenses increased $.06 per share. Operating earnings for the Company's supermarket divisions increased $.36 per share with the entire improvement in operating margins relating to Jewel Food Stores as the operating margins of Chicago-area supermarkets continued to recover from depressed levels in 1976 and 1975.

General merchandise operating earnings declined $.17 per share reflecting lower operating margins of $.23 per share of which $.10 resulted from lower operating margins in Turn*Style and $.09 resulted from converting Turn*Style stores in Indianapolis to Osco Drug stores.

The $.13 per share net decrease in operating earnings from other operations reflects coffee inventory losses in the Park Corporation, start-up costs for Jewel T limited-line discount grocery stores in Florida and a new Mass Feeding school lunch production facility in Moosic, Pennsylvania.

Losses on facility dispositions decreased earnings in 1977 by $.40 per share. These losses included a pre-tax provision of $7,300,000 for the planned sale of substantially all of the assets of the Turn*Style stores to The May Department Stores Company and the closing of the Indianapolis Turn*Style stores and Star Market's Dorothy Muriel Bakery.

Increased net interest expense lowered net earnings $.06 per share. The interest expense of Jewel Companies, Inc. was higher in 1977 than in 1976, reflecting increased interest rates on short-term and new long-term debt. Interest expense of the Company's affiliated real estate corporations was also higher primarily as a result of additional financings for new stores.

A lower effective income tax rate in 1977, primarily the result of higher investment tax credits, increased net earnings $.19 per share. The increase in investment tax credits excludes the effect of recapture of investment tax credits relating to the sale of Turn*Style which was included in the net per share effect of the Turn*Style disposition.

The Company's equity in earnings and translation gains of Aurrera, S.A. was $.62 per share less in 1977 because of the impact of the devaluation of the Mexican peso on September 1, 1976. As a result, Jewel's equity in Aurrera's peso earnings was translated at an average rate of $.041 in 1977 as compared to $.063 in 1976. In addition, the 1976 results were favorably impacted by gains resulting from the initial effect of the peso devaluation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles Applied in Consolidation

The consolidated financial statements include the accounts of Jewel Companies, Inc., its wholly-owned subsidiaries and its affiliated real estate corporations. All significant intercompany transactions are eliminated.

Inventories

Inventories are valued at the lower of cost or market, with cost being determined on a first-in, first-out or weighted average basis.

Investment in Aurrera, S.A.

The Company's investment in Aurrera, S.A. (Mexico), 41.7% owned as of February 3, 1979 and 45.2% owned as of January 28, 1978, is carried at cost plus equity in undistributed earnings and unrealized translation gains. The excess of cost over acquired net assets is not being amortized because in the opinion of management there has been no diminution in value.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and include certain assets acquired through the use of long-term lease obligations. Depreciation is computed on the straight-line method for financial statement purposes and on accelerated methods for tax purposes. Leasehold improvements and capital leases are amortized over the shorter of estimated physical life or the term of the lease. Useful lives average 37 years for buildings, 17 years for leasehold improvements, 10 years for equipment and 3–6 years for transportation equipment.

The cost of property, plant and equipment is eliminated from the accounts at the time assets are sold or retired. Differences between net book value and proceeds on normal equipment dispositions are recorded in the accumulated depreciation account. Gains and losses on the disposition of land and buildings are reflected in earnings.

The costs of maintenance and repairs are charged against earnings as incurred while major enlargements, remodelings or improvements are capitalized and depreciated over the remaining useful lives of the properties.

Income Taxes

The Company recognizes investment tax credits as a reduction of Federal income tax expense in the year in which the related assets are placed in service.

Other Deferred Liabilities

Costs associated with the Company's contingent compensation plans and self-insurance program are charged against current earnings. The portion of such costs estimated to be payable in the ensuing year is included in Current Liabilities with the balance included in Other Deferred Liabilities.

Pre-opening Costs

Pre-opening costs, including interest and carrying costs on construction in progress and land held for future use, are charged to expense as incurred.

Profit Sharing and Retirement Costs

A majority of the Company's employees who meet service requirements are covered by profit sharing plans under which the Company makes annual contributions, determined by a formula related to earnings, to provide retirement benefits. The market value of these funds, which are held in trust apart from Company funds, was $299,000,000 at December 31, 1978 and $273,000,000 at December 31, 1977. Retirement benefits are based on each participant's share of the trust funds. There are no unfunded past service liabilities under these plans. The Company also makes payments to jointly administered pension plans as required by collective bargaining agreements covering some employees.

STATEMENTS OF EARNINGS

Jewel Companies, Inc.
(In thousands except per share data)

	53 Weeks Ended Feb. 3, 1979	52 Weeks Ended Jan. 28, 1978
Sales	$3,516,352	$3,277,742
Costs of Doing Business:		
Cost of goods sold	2,768,656	2,577,553
Selling, general and administrative expenses	671,534	636,007
	3,440,190	3,213,560
Operating Earnings	76,162	64,182
Losses on Facility Dispositions	(712)	(9,242)
Interest Income	2,945	781
Interest Expense:		
Jewel Companies, Inc.	(12,399)	(12,338)
Real estate affiliates	(11,133)	(10,523)
Earnings of U.S. Companies Before Income Taxes	54,863	32,860
Income Taxes	22,197	11,163
Earnings of U.S. Companies	32,666	21,697
Equity in Aurrera, S.A.:		
Earnings	8,532	4,786
Unrealized (loss) gain on foreign currency translation	(56)	103
Net Earnings	$ 41,142	$ 26,586
Earnings Per Average Common Share Outstanding:		
Earnings of U.S. companies	$ 2.85	$ 1.87
Equity in Aurrera, S.A.:		
Earnings	.74	.41
Unrealized (loss) gain on foreign currency translation	—	.01
Net earnings	$ 3.59	$ 2.29

STATEMENTS OF RETAINED EARNINGS

	53 Weeks Ended Feb. 3, 1979	52 Weeks Ended Jan. 28, 1978
Balance, Beginning of Year:		
As previously reported	$ 249,636	$ 237,802
Adjustment for change in accounting for leases	(3,295)	(2,931)
As restated	246,341	234,871
Net Earnings	41,142	26,586
Cash Dividends Declared:		
Preferred stock—$3.75 per share	(47)	(50)
Common stock—$1.405 per share in 1978; $1.30 in 1977	(15,978)	(15,066)
Balance, End of Year	$ 271,458	$ 246,341

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

Jewel Companies, Inc.
(In thousands)

	Feb. 3, 1979	Jan. 28, 1978
Assets		
Current Assets:		
Cash	$ 22,425	$ 26,893
Short-term investments	43,223	32,848
Accounts receivable	43,451	34,131
Inventories	271,904	257,435
Prepaid expenses	11,435	11,436
Total current assets	392,438	362,743
Investment in Aurrera, S.A.	48,746	47,169
Property, Plant and Equipment, net:		
Jewel Companies, Inc.	333,942	325,175
Real estate affiliates	177,695	174,813
Total property, plant and equipment	511,637	499,988
Other Assets	5,317	4,256
	$958,138	$914,156
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$128,013	$109,423
Payrolls and other accrued expenses	130,941	115,567
Income taxes payable	4,668	4,525
Current maturities of long-term debt:		
Jewel Companies, Inc.	6,944	7,719
Real estate affiliates	7,294	7,010
Total current liabilities	277,860	244,244
Long-Term Debt, less current maturities:		
Jewel Companies, Inc.	142,195	147,636
Real estate affiliates	126,357	126,511
Deferred Income Taxes	47,216	44,677
Other Deferred Liabilities	19,682	18,141
Shareholders' Equity	344,828	332,947
	$958,138	$914,156

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Jewel Companies, Inc.
(In thousands)

	53 Weeks Ended Feb. 3, 1979	52 Weeks Ended Jan. 28, 1978
Source of Funds—		
From operations:		
Net earnings	$ 41,142	$ 26,586
Charges and (credits) not affecting funds:		
Depreciation and amortization	53,692	51,104
Deferred taxes and other deferred liabilities	4,080	9,477
Equity in Aurrera, S.A. in excess of dividends received	(5,344)	(2,449)
	93,570	84,718
From financing:		
Issuance of common stock	1,494	1,258
Long-term debt:		
Jewel Companies, Inc.	1,517	53,138
Real estate affiliates	8,050	15,040
*Proceeds from sale of Turn*Style assets, net of $16,432 inventory sold*	11,732	
	$116,363	$154,154
Use of Funds—		
Dividends to shareholders	$ 16,025	$ 15,116
New property, plant and equipment, net	77,073	73,912
Acquisition of treasury stock, net	14,730	36
Repayment of long-term debt:		
Jewel Companies, Inc.	6,958	36,470
Real estate affiliates	8,204	7,451
Other	(2,706)	(760)
Increase (decrease) in working capital	(3,921)	21,929
	$116,363	$154,154
Change in Working Capital—		
Increase (decrease) in current assets:		
Cash	$ (4,468)	$ 2,801
Short-term investments	10,375	24,266
Accounts receivable	9,320	(219)
Inventories	14,469	17,629
Prepaid expenses	(1)	270
	29,695	44,747
Increase (decrease) in current liabilities:		
Accounts payable	18,590	8,876
Payrolls and other accrued expenses	15,374	19,726
Income taxes payable	143	(6,610)
Current maturities of long-term debt	(491)	826
	33,616	22,818
Increase (decrease) in working capital	$ (3,921)	$ 21,929

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the Company's consolidated financial statements, including the related notes. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and necessarily include some amounts that are based on management's best estimates and judgments.

The Company maintains a system of internal accounting controls designed to provide reasonable assurance as to the reliablity of financial records for the preparation of financial statements and the protection of the Company's assets. The system of controls includes critical selection and training of financial management personnel, delegation of authority and division of responsibility, dissemination of formal accounting and business policies, and an internal audit program to monitor the effectiveness of the control system. The Company has distributed to all key employees its policies for conducting business affairs in a lawful and ethical manner. Management believes that the policies and procedures provide reasonable assurance that its operations are transacted in conformity with the law and consistent with high ethical standards. At regular times during the year, the Company's internal and external auditors meet privately with the Chairman of the Board and the President to review their audit work, the Company's internal controls, and financial reporting matters.

The Company's financial statements have been examined by Touche Ross & Co., independent certified public accountants. Their examination was made in accordance with generally accepted auditing standards and included a review of the internal accounting control system.

The Board of Directors, acting through its Audit Committee comprised solely of outside directors, oversees the fulfillment by management of its responsibilities in the preparation of financial statements and financial control of operations. The Audit Committee recommends, subject to Board of Directors approval, the selection of the Company's independent public accountants. In 1978, the Committee met four times and reviewed the scope, timing and cost of the Company's internal and external audit programs as well as the results of audit examinations completed by the Company's internal and external auditors. The Company's independent public accountants have full and free access to the Audit Committee.

JEWEL COMPANIES, INC.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors, Jewel Companies, Inc.

We have examined the consolidated statements of financial position of Jewel Companies, Inc. as of February 3, 1979 and January 28, 1978, and the related statements of earnings, retained earnings and changes in financial position for the fifty-three and fifty-two week periods then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have not examined the financial statements of Aurrera, S.A., a Mexican company in which Jewel had a 41.7% interest at February 3, 1979. The consolidated financial statements of Aurrera, S.A. for its fiscal years ended July 31, 1978 and 1977 were examined by other independent auditors whose unqualified report thereon has been furnished to us.

In our opinion, which as to amounts with respect to Aurrera, S.A. for its fiscal years ended July 31, 1978 and 1977 is based on the report of other independent auditors described above, the financial statements referred to above present fairly the consolidated financial position of Jewel Companies, Inc. as of February 3, 1979 and January 28, 1978, and the results of its operations and the changes in its financial position for the fifty-three and fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for certain leases as described in the Notes to Financial Statements.

TOUCHE ROSS & CO.

Chicago, Illinois
March 24, 1979

Jewel Companies, Inc.

Change in Accounting for Leases

During the year the Company changed its method of accounting for certain leases to comply with a recent Statement of the Financial Accounting Standards Board. Financial statements for prior periods have been restated to reflect the retroactive capitalization of capital leases. The effect of the change was to decrease net earnings by $.02 per share in 1978 and $.03 per share in 1977.

Property, Plant and Equipment

The Company's investment in property, plant and equipment consists of the following:

	February 3, 1979		*January 28, 1978*	
	Jewel Cos., Inc.	Real Estate Affiliates	Jewel Cos., Inc.	Real Estate Affiliates
	(In thousands)			
Buildings	$ 99,836	$160,526	$ 95,702	$153,647
Less allowance for depreciation.	38,773	37,751	36,616	33,521
	61,063	122,775	59,086	120,126
Equipment and leasehold improvements..	495,767		488,632	
Less allowance for depreciation and amortization ...	241,739		241,524	
	254,028		247,108	
Land...........	18,851	54,920	18,981	54,687
	$333,942	$177,695	$325,175	$174,813

Long-Term Debt

Long-term debt consists of the following:

	Feb. 3, 1979	Jan. 28, 1978
	(In thousands)	
Jewel Companies, Inc.:		
Commercial Banks, 4.50%, due in annual installments of $1,250 through 1987	$ 11,250	$ 12,500
Insurance Companies:		
6.875%, due in annual installments of $1,500 through 1993	22,500	24,000
7.875%, due in annual installments of $1,500 through 1994	24,000	25,500
8.25%, due in semi-annual installments of $1,500 from 1983 through 1997 with the balance due in 1997	50,000	50,000
Capital Lease Obligations, 9.28% and 9.25% average rate, due through 2000	39,268	40,138
All Other, 6.01% and 5.57% average rate, due through 1997......................	2,121	3,217
Total debt	$149,139	$155,355
Classified as follows:		
Current maturities	$ 6,944	$ 7,719
Long-term debt	142,195	147,636
Total debt	$149,139	$155,355
Real estate affiliates, mortgages, 8.37% and 8.27% average rate, due through 2004:		
Current maturities	$ 7,294	$ 7,010
Long-term debt	126,357	126,511
Total debt	$133,651	$133,521

Long-term debt at February 3, 1979 matures as follows:

	Jewel Cos., Inc.	Real Estate Affiliates
	(In thousands)	
1980	$ 6,983	$ 7,590
1981	6,908	7,600
1982	6,723	7,746
1983	9,599	7,411
Thereafter	111,982	96,010
	$142,195	$126,357

Lines of credit are maintained with commercial banks ($44,950,000 at February 3, 1979) to assure the availability of adequate short-term funds to meet seasonal borrowing requirements. The bank lines are supported by cash balances largely generated from the normal time lag in presentation of Company checks for payment. The arrangements with the banks are informal in nature and do not restrict the availability of such supporting funds in meeting the Company's daily cash requirements.

The maximum amount of seasonal borrowings outstanding during 1978 was $13,000,000 and averaged $7,500,000 on a daily basis for the 15 weeks during which seasonal borrowings were outstanding. The average interest rate on these borrowings was 6.88%.

The Company's loan agreements provide restrictions as to the maintenance of working capital (as defined) and payment of cash dividends on common stock. As of February 3, 1979, working capital was $27,000,000 in excess of minimum requirements and retained earnings not restricted for payment of cash dividends were $49,000,000.

The long-term debt of the real estate affiliates is not a direct obligation of Jewel Companies, Inc. but is secured by the assignment of lease agreements between Jewel and the affiliates and first liens against real properties having a book value of approximately $178,000,000 at February 3, 1979, as compared to $175,000,000 at January 28, 1978. The debt will be fully paid during the fixed term of each lease, generally 20 years.

Income Taxes

The provision for income taxes consists of the following:

	1978	1977
	(In thousands)	
Federal		
Currently payable	$21,795	$14,933
Deferred	3,054	(252)
Investment tax credit	(5,700)	(5,300)
	19,149	9,381
State and Local		
Currently payable	2,753	1,829
Deferred	295	(47)
	3,048	1,782
	$22,197	$11,163

Deferred income taxes result from timing differences in the recognition of certain income and expense items for tax and financial statement purposes. The provision for deferred Federal income taxes consists of the following:

	1978	1977
	(In thousands)	
Depreciation	$ 3,316	$ 4,778
Losses on facility dispositions	2,486	(3,083)
Self-insured claims	(1,232)	(1,831)
Other	(1,516)	(116)
	$ 3,054	$ (252)

A reconciliation of the Federal statutory tax rate with the effective tax rate follows:

	1978	1977
Statutory tax rate	47.8%	48.0%
State income taxes, net of Federal income tax benefit	2.5	2.5
Investment tax credit	(9.0)	(14.0)
Other	(.2)	(.4)
Effective tax rate on U.S. earnings	41.1	36.1
Effect of foreign earnings	(6.1)	(6.5)
Effective tax rate	35.0%	29.6%

No provision has been made for U.S. income taxes on foreign earnings because any income tax payable would be substantially offset by foreign tax credits.

During the year, the Internal Revenue Service substantially completed its examination of the Federal income tax returns of the Company and its subsidiaries for fiscal years 1973 through 1975 except for a limited number of unresolved issues which are not material. In the opinion of management, income tax reserves are considered adequate for all years for which the Company's liability has not been finally resolved.

Shareholders' Equity

	Feb. 3, 1979	Jan. 28, 1978
	(In thousands)	
Preferred stock—3¾% cumulative $100 par value—authorized and issued 16,500 shares at February 3, 1979	$ 1,650	$ 1,650
Series preferred stock—$1 par value—authorized 2,000,000 shares, none issued at February 3, 1979	—	—
Common stock—$1 par value—authorized 25,000,000 shares, issued 11,675,436 shares at February 3, 1979	86,644	85,150
Retained earnings	271,458	246,341
Treasury stock, at cost	(14,924)	(194)
Total shareholders' equity	$344,828	$332,947

Common stock transactions were as follows:

	1978 Shares	1978 Amount	1977 Shares	1977 Amount
	(In thousands)			
Balance, beginning of year	11,601	$85,150	11,537	$83,892
Issued for stock option and stock purchase plans	74	1,494	64	1,258
Balance, end of year	11,675	$86,644	11,601	$85,150

At February 3, 1979, there were 1,186,916 shares of common stock reserved of which 903,379 were for Stock Options, 211,743 were for the Employee Stock Purchase Plan and 71,794 were for the Automatic Dividend Reinvestment and Stock Purchase Plan.

The following summary shows the changes in stock options:

	1978	1977
Options outstanding, beginning of year	743,250	712,850
Granted	182,000	139,500
Exercised	(57,500)	(31,762)
Expired	(167,100)	(77,338)
Options outstanding, end of year	700,650	743,250

	Feb. 3, 1979	Jan. 28, 1978
Options exercisable	518,650	585,570
Shares available for grant	202,729	17,629

Outstanding options were granted at prices ranging from $16.88 to $28.42 per share, the fair market value on the date of grant. Non-qualified Stock Options become exercisable one year from the date of grant and expire in ten years.

Under the Company's Automatic Dividend Reinvestment and Stock Purchase Plan, shareholders of record may purchase additional shares of common stock by reinvesting dividends and making optional cash investments without payment of any brokerage commission or service charge.

In September 1978, the Company purchased 557,600 shares of its outstanding common stock from Jewel Companies Investment Trust, the trust holding the collective investments of the Company's profit sharing and retirement programs, at an aggregate cost of $14,933,000 for future use in the Company's stock option and stock purchase plans. In 1978, 10,650 of the treasury shares were issued under these plans.

Treasury stock at February 3, 1979 consists of 546,950 shares of common stock (cost $14,647,000) and 4,014 shares of preferred stock (cost $277,000). The preferred shares were acquired to meet the sinking fund provision of the issue, which requires full retirement by 1985. Sinking fund requirements are satisfied through 1980.

Lease Commitments

The Company leases certain of its retail and other locations under firm-term lease arrangements ranging from 5 to 25 years (principally 15 years for retail locations), plus various renewal options. In addition, the Company has an insignificant number of personal property leases (primarily transportation, warehouse handling and data processing equipment) expiring at various dates during the next four years.

As of February 3, 1979, minimum rentals on all noncancellable leases for real properties under operating leases were as follows:

Fiscal Year	Minimum Payments	Sublease Income	Net
	(In thousands)		
1979	$ 27,823	$ 4,126	$ 23,697
1980	26,769	3,847	22,922
1981	25,257	3,579	21,678
1982	23,481	3,356	20,125
1983	21,546	3,180	18,366
Thereafter	143,867	20,775	123,092
Total minimum rent expense	$268,743	$38,863	$229,880

Rentals for leased real properties were as follows:

	1978	1977
	(In thousands)	
Minimum rentals	$26,036	$23,648
Contingent rentals	4,576	3,570
Sublease income	(3,775)	(1,632)
	$26,837	$25,586

Business Segments

The Company is a diversified retailer engaged primarily in the retail sale of food and general merchandise. The Company is engaged in the supermarket business under the Buttrey, Eisner, Jewel and Star trade names and in the general merchandise business under the Osco Drug trade name. In 1977, the general merchandise operations also included the Turn*Style division which was sold in June 1978. Other operations include White Hen Pantry (convenience food stores), Brigham's (ice cream, candy and sandwich stores), Mass Feeding Corporation (school lunch programs) and the Direct Marketing Division (home shopping service, manufacturing operations and limited-line discount grocery stores).

Operating earnings are total sales less operating expenses. In computing operating earnings, none of the following items have been added or deducted: unallocated expenses (which consist principally of general corporate expenses and miscellaneous income), losses on facility dispositions, interest income, interest expense, income taxes and equity in Aurrera, S.A.

Identifiable assets are those assets associated with a particular segment either by direct use or by allocation when used by two or more segments. Unallocated assets include short-term investments and certain property, plant and equipment.

Information concerning the Company's sales and operating earnings by business segment is presented in the Five Year Review on page 36; a summary of

identifiable assets, capital expenditures and depreciation expense for fiscal 1978 and 1977 is shown below:

	1978	1977
	(In thousands)	
Identifiable Assets		
Supermarkets	$554,132	$514,391
General merchandise	205,309	219,816
Other operations	66,453	61,192
Investment in Aurrera, S.A.	48,745	47,169
Unallocated	83,499	71,588
Total identifiable assets	$958,138	$914,156
Capital Expenditures (net)		
Supermarkets	$ 52,784	$ 47,071
General merchandise	13,136	17,397
Other operations	5,265	4,643
Unallocated	5,888	4,801
Total capital expenditures	$ 77,073	$ 73,912
Depreciation Expense		
Supermarkets	$ 36,219	$ 33,840
General merchandise	9,063	9,482
Other operations	4,213	4,215
Unallocated	4,197	3,567
Total depreciation expense	$ 53,692	$ 51,104

Losses on Facility Dispositions

Losses on facility dispositions in 1977 were $9,242,000 of which $7,300,000 was a provision for the sale of the Company's Turn*Style division which was completed in June 1978.

Facility disposition losses in 1978 include a $188,000 reduction in the above provision and a $900,000 provision for the planned sale of the assets of the Company's Republic Lumber division.

Contingent Liabilities—Litigation

In addition to claims and lawsuits arising in the normal course of the Company's business, as of February 3, 1979, there were various actions pending against the Company for substantial damages under antitrust laws.

These include fourteen antitrust actions under Federal law filed in 1975, 1976 and 1977 alleging price fixing in the purchase and sale of beef. Plaintiffs in one of these seek to maintain a class action. All of these actions have been consolidated for pre-trial and discovery purposes in the U.S. District Court in Dallas, Texas. In December 1977, the Court dismissed seven of these actions on the basis of the U.S. Supreme Court's decision in the Illinois Brick case that only direct sellers and purchasers could recover damages under Federal antitrust laws; appeals are pending in six of these seven cases and Congress is considering legislation which would overturn the Illinois Brick decision, including proposals designed to reinstate actions dismissed on the basis of that decision. Complaints in the remaining seven actions, filed in 1977, include some allegations which were not made in earlier cases. Since the proceedings are in their preliminary stages and in view of the complexity of the factual, economic and legal theories involved and the uncertainties inherent in litigation, the Company cannot predict their ultimate outcome. The Company believes, however, that it has good and meritorious defenses to each action.

The Company is of the opinion with respect to all claims and lawsuits that any resulting liability will not materially affect the Company's consolidated earnings or financial position.

Costs and Expenses

Set forth below is a comparative summary of significant costs and expenses:

	1978	1977
	(In thousands)	
Depreciation and Amortization		
Jewel Companies, Inc.		
Buildings	$ 3,911	$ 3,839
Equipment	44,727	42,407
	48,638	46,246
Real estate affiliates		
Buildings	5,054	4,858
	$53,692	$51,104
Taxes, other than income		
Payroll	$37,899	$34,168
Property	13,963	14,995
Other	2,049	2,750
	$53,911	$51,913
Rents		
Real estate	$26,837	$25,586
Personal property	4,174	4,117
	$31,011	$29,703
Advertising	$43,471	$42,655
Retirement Benefit Plans		
Profit sharing plan	$14,277	$11,190
Contingent compensation	1,646	1,656
Industry pension plans and other	5,151	3,711
	$21,074	$16,557

Estimated Replacement Cost (Unaudited)

The Company's Annual Report on Form 10-K contains information with respect to the estimated replacement cost of inventories and plant and equipment as required by the Securities and Exchange Commission.

The data indicates that on the basis of estimated replacement costs, plant and equipment and depreciation expense would be higher than historical cost while inventories and cost of goods sold would not be materially affected.

Quarterly Data (Unaudited)

The following quarterly data has been restated for the retroactive capitalization of leases in accordance with the change in the method of accounting for leases:

Quarter	Total Sales	Gross Profit	Net Earnings Total	Net Earnings Per Share
	(In thousands except per share data)			
1978				
First (12 weeks)...	$ 779,133	$164,187	$ 7,156	$ .62
Second (16 weeks).	1,015,383	223,990	10,823	.93
Third (12 weeks)..	769,216	151,099	6,519	.57
Fourth (13 weeks).	952,620	208,420	16,644	1.47
Total year	$3,516,352	$747,696	$41,142	$3.59
1977				
First (12 weeks)...	$ 719,547	$150,845	$ 5,549	$ .48
Second (16 weeks).	978,714	206,692	7,663	66
Third (12 weeks) .	749,251	156,287	3,147	.27
Fourth (12 weeks)	830,230	186,365	10,227	.88
Total year	$3,277,742	$700,189	$26,586	$2.29

Common Stock Data (Unaudited)

Quarter	Price Range* 1978 High	1978 Low	1977 High	1977 Low	Dividends Paid 1978	Dividends Paid 1977
First	$20⅛	$17½	$26½	$22⅞	$ .325	$ .325
Second	23¾	18⅛	24¾	21⅝	.325	.325
Third	26	20¼	23¾	19¼	.360	.325
Fourth	21¾	19	20½	18⅛	.360	.325
Year	$26	$17½	$26½	$18⅛	$1.370	$1.300

*On the New York Stock Exchange

Condensed Financial Statements—Aurrera, S.A. (Unaudited)

The Company had a 41.7% and 45.2% interest in Aurrera, S.A. as of February 3, 1979 and January 28, 1978, respectively. Jewel's investment, carried on the equity method, constituted 5.1% and 5.2% of its total assets at those respective dates. Jewel's equity in earnings and unrealized (loss) gain on foreign currency translation constituted 20.6% and 18.4% of Jewel's consolidated net earnings for the fiscal years ended February 3, 1979 and January 28, 1978, respectively.

To facilitate prompt reporting of year-end results, in 1977 the Company changed its method of reporting its equity in earnings of Aurrera to record those earnings on a one month delay. As a result, the Company's earnings for its fiscal year ended January 28, 1978, the year of transition, include only eleven months of earnings from Aurrera.

The financial statements of Aurrera, S.A. at December 31, 1978 and 1977 are based upon audited financial statements examined by a major international public accounting firm as of July 31, 1978 and 1977, the end of Aurrera's fiscal year, and unaudited financial statements for the period from August 1 to December 31. Following is a condensed summary of Aurrera's financial statements:

Statements of Financial Position

	Dec. 31, 1978	Dec. 31, 1977
	(In thousands)	
Aurrera (in pesos)		
Current assets..........	Ps. 2,448,348	Ps. 1,681,865
Properties, net*	2,111,305	1,309,057
Total assets..........	4,559,653	2,990,922
Current liabilities	2,382,860	1,908,099
Long-term debt	10,511	15,596
Net assets per Aurrera statements*	Ps. 2,166,282	Ps. 1,067,227
U.S. translation	$ 131,375	$ 84,961
Reconciliation to Jewel's Investment		
Equity in net assets per Aurrera statements ...	$ 54,773	$ 38,396
Adjustments to conform with Jewel's accounting practices:		
Cumulative income adjustments......	1,006	714
Reorganization/revaluation adjustments not recognized by Jewel* ..	(19,583)	(5,545)
Excess of cost over acquired net assets....	12,550	13,604
Carrying value of investment	$ 48,746	$ 47,169

Statements of Earnings

	Year Ended Dec. 31, 1978	Eleven Months Ended Dec. 31, 1977
	(In thousands)	
Aurrera (in pesos)		
Sales..................	Ps.10,985,290	Ps. 8,133,684
Earnings before statutory profit sharing and income taxes.........	1,069,067	596,043
Statutory profit sharing ..	(86,078)	(43,763)
Income taxes...........	(460,152)	(233,013)
Net earnings per Aurrera statements*	Ps. 522,837	Ps. 319,267
U.S. translation	$ 21,268	$ 13,056
Reconciliation to Jewel's Equity in Net Earnings		
Equity in net earnings per Aurrera statements ...	$ 9,162	$ 5,914
Adjustments to conform with Jewel's accounting practices*	391	(567)
Dividend withholding tax provided	(1,021)	(561)
Equity in net earnings of Aurrera, S.A.	$ 8,532	$ 4,786
Equity in unrealized (loss) gain on foreign currency translation	$ (56)	$ 103

*Includes effects of revaluation of properties in 1978 to recognize inflation

FIVE YEAR REVIEW

Jewel Companies, Inc.
(In thousands except per share data)

(Restated for capital leases)

	1978†	1977	1976	1975	1974
Operating Results					
Sales:					
Supermarkets	$2,681,639	$2,419,475	$2,173,561	$2,065,879	$1,905,114
General merchandise stores	584,889	654,888	617,423	565,921	502,439
Other operations	249,824	203,379	190,445	185,954	191,360
Total sales	$3,516,352	$3,277,742	$2,981,429	$2,817,754	$2,598,913
Operating earnings before unallocated expenses:					
Supermarkets	$ 52,159	$ 40,966	$ 33,041	$ 31,046	$ 52,521
General merchandise stores	15,971	19,196	22,967	18,031	10,531
Other operations	7,799	4,869	7,725	5,743	3,263
Total	75,929	65,031	63,733	54,820	66,315
Unallocated-net*	233	(849)	(1,794)	(1,517)	(2,292)
Operating earnings	76,162	64,182	61,939	53,303	64,023
Losses on facility dispositions	(712)	(9,242)	(1,289)		
Interest income	2,945	781	836	879	1,010
Interest expense:					
Jewel Companies, Inc.	12,399	12,338	11,803	12,971	14,602
Real estate affiliates	11,133	10,523	9,725	9,159	8,290
Earnings of U.S. companies before income taxes	54,863	32,860	39,958	32,052	42,141
Income taxes	22,197	11,163	16,252	11,314	17,643
Earnings of U.S. companies	32,666	21,697	23,706	20,738	24,498
Equity in Aurrera, S.A.:					
Earnings	8,532	4,786	8,747	7,545	5,393
Unrealized (loss) gain on foreign currency translation	(56)	103	3,309		
Net earnings	$ 41,142	$ 26,586	$ 35,762	$ 28,283	$ 29,891
Percent of shareholders' average equity	12.1%	8.1%	11.6%	9.7%	11.0%
Depreciation and amortization	$ 53,692	$ 51,104	$ 46,024	$ 44,833	$ 39,001
New property, plant and equipment, net	77,073	73,912	53,624	61,799	83,416
Per Share Results					
Earnings per common share	$ 3.59	$ 2.29	$ 3.10	$ 2.47	$ 2.62
Dividends paid per common share	1.37	1.30	1.25	1.20	1.15
Percent of net earnings	38%	57%	40%	49%	44%
Equity per common share	$ 30.85	$ 28.58	$ 27.64	$ 25.84	$ 24.60
Common Stock Information					
Number of shareholders	14,596	14,973	15,152	14,746	14,324
Average number of shares	11,442	11,576	11,507	11,452	11,381
Price range—high	$ 26	$ 26½	$ 24¼	$ 25⅞	$ 29⅛
low	17½	18⅛	19¼	16⅞	16⅝
year end	20⅛	18⅝	23⅝	21½	22¾
Price earnings ratio (on average price)	6.1	9.7	7.0	8.6	8.7
Financial Position					
Working capital	$ 114,578	$ 118,499	$ 96,570	$ 91,667	$ 90,835
Total assets	958,138	914,156	844,912	804,058	777,537
Long-term debt, less current maturities:					
Jewel Companies, Inc	142,195	147,636	130,969	135,403	146,523
Real estate affiliates	126,357	126,511	118,922	118,341	113,952
Common shareholders' equity	343,302	331,614	318,868	296,882	281,095
Other Statistical Data					
Employees (full-time equivalent)	33.4	35.2	35.1	35.0	35.3
Square footage of retail stores:					
Supermarkets	10,523	10,500	10,186	10,020	9,648
General merchandise stores	4,582	6,627	6,409	6,276	6,032
Other operations	1,068	898	852	845	866
Total at year end	16,173	18,025	17,447	17,141	16,546

† 53 week year, other years 52 weeks

** Unallocated consists principally of general corporate expenses and miscellaneous income*

DIRECTORS

Raymond C. Baumhart, S.J.
President, Loyola University of Chicago

Karl D. Bays
Chairman and Chief Executive Officer,
American Hospital Supply Corporation
(Health Products and Services)

Silas S. Cathcart
Chairman and Chief Executive Officer,
Illinois Tool Works, Inc.
(Fasteners, Tools, Electronic Components & Plastic Packaging Products)

Weston R. Christopherson
President and Chief Operating Officer

Stephen M. DuBrul, Jr.
Consultant and Private Banker

Lawrence E. Fouraker
Dean of Faculty, Harvard Business School

Helen LeB. Hilton
Dean Emeritus, College of Home Economics,
Iowa State University

Richard B. Ogilvie
Partner, Isham, Lincoln & Beale (Attorneys)

James E. Olson
Vice Chairman,
American Telephone and Telegraph Company

Donald S. Perkins
Chairman, Board of Directors
and Chief Executive Officer

Barbara Scott Preiskel
Senior Vice President and General Attorney,
Motion Picture Association of America, Inc.

Robert W. Reneker
Chairman, Board of Trustees,
The University of Chicago

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L. E. Fouraker
H. LeB. Hilton
R. B. Ogilvie
R. W. Reneker

Nominating Committee
L. E. Fouraker, Chairman
S. S. Cathcart
R. W. Reneker

Salaries and Employee Benefits Committee
S. S. Cathcart, Chairman
K. D. Bays
S. M. DuBrul, Jr.
J. E. Olson
B. S. Preiskel

Executive Committee
D. S. Perkins, Chairman
S. S. Cathcart
W. R. Christopherson
R. B. Ogilvie

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Chairman, Board of Directors

Weston R. Christopherson
President

Richard G. Cline
Senior Executive Vice President

Lawrence Howe
Executive Vice President,
Finance and Law

Clifford R. Johnson
Executive Vice President,
Real Estate and Construction

Jo H. Armstrong
Vice President

John N. Balch
Vice President and Treasurer

Robert P. Dorsher
Vice President,
Personnel and Industrial Relations

Lawrence J. Fernstrom, Jr.
Vice President, Information Systems

Robert D. Jones
Vice President, Public Affairs

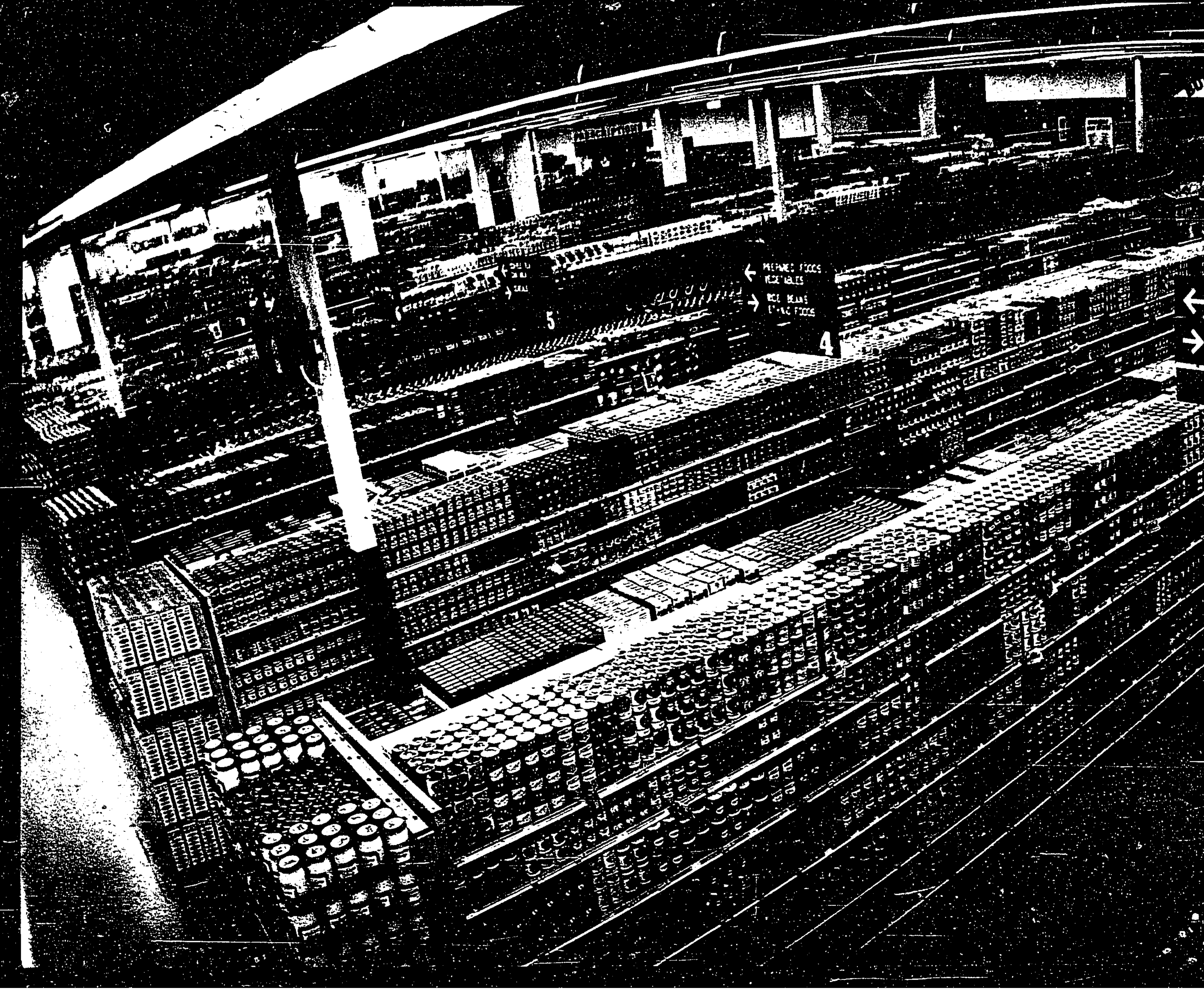
Gene B. Kilham
Vice President and Controller

Charles E. McClellan
Vice President, Taxes

Samuel J. Parker
Vice President, Business Development

Jacob J. Schnur
Vice President and
Assistant General Counsel

Robert F. Berrey
Secretary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